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In Re Seagate: Did it Really Fix the Waiver Issue?

A Short Review and Analysis of Waiver Resulting from the Use Of a Counsel's Opinion Letter as a Defense to Willful Infringement

INTRODUCTION

This past summer the Federal Circuit, responding to a writ of mandamus, attempted to fix the quagmire nearly a quarter century in the making that started with *Underwater Devices*¹ and culminated most recently in *In re Echostar*.² In particular, the court sought to definitively determine the various consequences of an assertion of willful infringement by a patentee. Principally, should a party's assertion of an advice-of-counsel defense in response to a patentee's contention of willful infringement extend waiver of the attorney-client privilege and work product immunity to communications with the defense's litigation counsel?³

Ironically, *Echostar*—which instigated the writ of mandamus—itself was an attempt by the Federal Circuit to resolve uncertainty surrounding the extent of a waiver of attorney-client privilege—subsequent to the disclosure of an attorney opinion letter as a defense to a willful infringement of a patent. Instead, *Echostar* led to greater confusion, particularly among the district courts.

A global analysis of waiver of privilege and immunity is beyond the scope of this Paper. What is of most concern to this author is only one of the questions addressed by the court: whether the production of an opinion letter not only waives privilege with regard to opinion counsel, but even encroaches on the work product immunity of an unaffiliated trial counsel.⁴

1. *Underwater Devices Inc. v. Morrison-Knudson Co.*, 717 F.2d 1380 (1983)

2. *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006) [hereinafter *EchoStar*].

3. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

4. Note that the concerns regarding the eroding nature of attorney-client privilege in the face of increasing waiver are not limited to patent law. See, e.g., *Mini-Conference on Waiver of Attorney-Client Privilege and Work-Product Doctrine: Hearing Before the Advisory Comm. on Evidence Rules on Proposal 502* (2006), available at <http://www.uscourts.gov/rules/advcomm-miniconference.html> (last visited Dec. 20, 2006). See also Griffin B. Bell et

Those courts that allow for the aforementioned waiver to extend to trial counsel base their rulings on the concern that a determination of willfulness requires an understanding of the complete environment of the putative infringer, including the information that he or she is getting from his or her counsel. If an infringer uses counsel's advice implying that he or she was not infringing as a defense to willfulness, it stands to reason that the court should examine all of the potential opinions that he or she received relating to willfulness to ascertain the true mindset of the infringer, including those opinions of trial counsel.⁵

This expansive notion of waiver, adopted by numerous courts leading up to the *Seagate* decision is somewhat problematic. Not only does it chill frank discussion between a defendant and her lawyer, but it perversely incentivizes potential infringers to limit the scope and breadth of their understanding *vis a vis* the infringement at hand. The fewer attorneys involved in determining infringement, the better. The putative infringer is better off getting an opinion letter and never discussing the issue ever again even with other counsel for fear that their conversation and work product will become available to the patent holder. It also incentivizes patentees to claim willfulness on any occasion given the huge payoff it can provide: either the defendant provides a an opinion letter, opening up a treasure trove of formerly privileged documents, or the defendant chooses to retain her privilege and take her chances with the willfulness claim. If she loses she may be liable for treble damages.

al., *Letter to Attorney General Gonzales re Proposed Revisions to Department of Justice Policy Regarding Waiver of the Attorney-Client Privilege and Work-Product Doctrine*, available at http://www.abanet.org/media/docs/ag_sept52006.pdf.

5. *Outside the Box Innovations, LLC v. Travel Caddy, Inc.*, 455 F. Supp. 2d 1374, 1378 (N.D. Ga. 2006) ("the *EchoStar* decision held that if a defendant relies on the advice-of-counsel defense with respect to advice received from in-house counsel, then the waiver of attorney-client privilege applies to advice 'relating to the same subject matter' received from other counsel"). *See, also*, *Computer Assocs. Int'l, Inc. v. Simple.com, Inc.*, 2006 U.S. Dist. LEXIS 77077 (E.D.N.Y., Oct. 20, 2006).

The Special Master's holding that the waiver extends to trial counsel is consistent with *EchoStar*. . . . [Which] held that "all opinions received by the client relating to infringement must be revealed, even if they come from defendants' trial attorney." . The supporting citation to *Akeva* in describing the scope of the waiver, together with the reasoning of the *Echostar* Court, indicates to this Court that the Federal Circuit would extend the waiver to all attorneys who provided advice, including, in the case of ongoing infringement, trial counsel. Excluding trial counsel from the scope of the waiver would permit a party to use the attorney-client privilege as both a sword and shield by allowing a party to choose which opinions are disclosed and which are not.
(citations omitted).

This Comment outlines the basic issues of privilege and immunity, presents the history of uncertainty regarding waiver leading up to the recent *Seagate* decision, examines the potential outcome of the decision, and presents possible resolutions to further resolve the issue and more fully repair attorney-client privilege and immunity. One caveat, the ubiquitously inaccurate and inconsistent usage of the terminology related to privilege and immunity serves only to confuse the issue and the courts, and potentially this author. Establishing a consistent usage of the terms used in court cases and in the literature may be a start to reaching a clear, consistent, and fair rule.

I. ATTORNEY-CLIENT PRIVILEGE

Attorney-client privilege is an integral component of our adversarial legal system; despite its importance the bounds of the right continue to remain unclear.⁶ While its exact historical origins are unknown⁷—it is either a utilitarian, social-good justification or a moral rights concept⁸—the right in its current incarnation in the U.S. judicial system stems from statute and legislation; it is not as of yet seen as a constitutional right.⁹

In 1972, the Supreme Court proposed a series of privileges to be codified.¹⁰ The mere suggestion of codification drew such passionate criticism, it nearly destroyed the entire process of evidentiary rule revision.¹¹ Thus, instead of any particular sets of privilege rules, the Rules of Evidence state succinctly, “the privilege of a witness, person, government, State, or political subdivision thereof shall be governed by the principles of the common law as they may be interpreted by the

6. See *In re Application of Sarrio, S.A.*, 119 F.3d 143, 147 (2d Cir. 1997) (“While the privilege confers important social benefits, it also exacts significant costs. It runs counter to the ordinary judicial interest in the disclosure of all relevant evidence.”) *But see* Daniel R. Fischel, *Lawyers and Confidentiality*, 65 U. CHI. L. REV. 1, 33 (1998) (“Confidentiality rules—the ethical duty of confidentiality, the attorney-client privilege, and the work product doctrine—benefit lawyers but are of dubious value to clients and society as a whole. Absent some more compelling justification for their existence than has been advanced to date, these doctrines should be abolished.”).

7. See, e.g., *United States v. (Under Seal)*, 748 F.2d 871, 873 (4th Cir. 1984) (noting Roman law roots).

8. See, e.g., *Developments in the Law—Privileged Communications*, 98 HARV. L. REV. 1450, 1501 (1985).

9. “Standing alone, the attorney-client privilege is merely a rule of evidence; it has not yet been held a constitutional right.” *Clutchette v. Rushen*, 770 F.2d 1469, 1471 (9th Cir. 1985).

10. Kenneth S. Broun, *Giving Codification a Second Chance—Testimonial Privileges and the Federal Rules of Evidence*, 53 HASTINGS L.J. 769, 769 (2002).

11. *Id.* at 769-70.

courts of the United States in the light of reason and experience.”¹² According to later interpretations by the Supreme Court, this terminology reflects Congress’s “affirmative intention not to freeze the law of privilege. . . . [and] to ‘provide the courts with the flexibility to develop rules of privilege on a case-by-case basis.’”¹³

Importantly, the Court, in formulating the bounds of attorney-client privilege, rejected any balancing or other tests that could create uncertainty in the application of the principle of attorney-client privilege, noting “participants in the confidential conversation ‘must be able to predict with some degree of certainty whether particular discussions will be protected. An uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.’”¹⁴

In outlining the privilege, the courts have determined that

[t]he privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) . . . (b)[t]he attorney] in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding . . . and (4) the privilege has been (a) claimed and (b) not waived by the client.¹⁵

Privilege may be waived by the client in some circumstances where either the client or attorney testifies about attorney-client communications; through voluntary disclosure or sometimes inadvertent disclosure;¹⁶ or when the client puts the communication at issue—the waiver type most pertinent to the issue at hand.¹⁷

12. FED. R. EVID. 501.

13. *Trammel v. United States*, 445 U.S. 40, 47 (1980) (quoting 120 Cong. Rec. 40891 (1974)).

14. *Jaffee v. Redmond*, 518 U.S. 1, 18 (1996) (quoting *Upjohn Co. v. United States*, 449 U.S. 383, 393 (1981)).

15. *United States v. United Shoe Mach. Corp.*, 89 F. Supp. 357, 358-59 (D. Mass. 1950).

16. See, e.g., *United States v. Workman*, 138 F.3d 1261, 1263 (8th Cir. 1998) (Voluntary disclosure of attorney[-]client communications expressly waives the privilege. The waiver covers any information directly related to that which was actually disclosed.”) (citations omitted) See also *In re Sealed Case*, 877 F.2d 976 (D.C. Cir. 1989) (“[P]rivilege must be jealously guarded by the holder of the privilege lest it be waived. The courts will grant no greater protection to those who assert the privilege than their own precautions warrant. . . . [T]he privilege is lost even if the disclosure is inadvertent.” (citations omitted)).

17. “The privilege which protects attorney-client communications may not be used both as a sword and a shield. Where a party raises a claim which in fairness requires

II. WORK PRODUCT IMMUNITY

A related but different right¹⁸ limits access to the attorney's work product prepared in anticipation of a litigation.¹⁹ Historically, immunity existed in the federal common law²⁰ until it was tacitly endorsed by *Hickman*²¹ and finally included in the Federal Rules of Civil Procedure.²² In *Hickman*, the Supreme Court ruled that access to opposing counsel's work product

contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney.

. . . .

. . . [T]he general policy against invading the privacy of an attorney's course of preparation is so well recognized and so essential to an orderly working of our system of legal procedure that a burden rests on the one who would invade that privacy to establish adequate reasons to justify production through a subpoena or court order.²³

Despite this rhetoric, the Court did go on to qualify the extent of

disclosure of the protected communication, the privilege may be implicitly waived." *Chevron Corp. v. Pennzoil Co.*, 974 F.2d 1156, 1162 (9th Cir. 1992) (citations omitted).

18. Courts even sometimes confuse the two. *See, e.g.*, RESTATEMENT (THIRD) LAW GOVERNING LAWYERS § 915(3)(C) Introductory Note (2000) ("The rules governing waiver and exception applicable to work-product material generally parallel those for the attorney-client privilege.") *See also* *United States v. One Tract of Real Prop. Together with All Bldgs., Improvements, Appurtenances, and Fixtures*, 95 F.3d 422, 427-28 (6th Cir. 1996) (referring to the "attorney work product privilege"); Thomas E. Spahn, *Ten Differences Between the Work Product Doctrine and the Attorney-Client Privilege*, 46 VA. LAW. 45 (Oct. 1997). *But see* *Praxair, Inc. v. Atmi, Inc.*, 445 F. Supp. 2d 473, 480 n. 9 (D. Del. 2006) ("Attorney-client privilege and work product are two concepts that are treated quite differently and, in the eyes of the law, are independent legal concepts. It does not follow that a waiver of one necessarily means, or ought to mean, a waiver of the other" (citation omitted)).

19. Work product includes the following: "(1) evidence and other facts collected by the lawyer and her agents; (2) research collected and memoranda prepared by the lawyer; and (3) thoughts, opinions, and mental impressions formed by the lawyer (and typically committed to writing) about the case or the participants in the litigation." Fred C. Zacharias, *Who Owns Work Product?*, 2006 U. ILL. L. REV. 127, 130 (2006). Note that the work product need not have been prepared for that particular litigation where the immunity is being asserted. *See, e.g., In re Ford Motor Co.*, 110 F.3d 954, 967 (3d Cir. 1997).

20. CHARLES ALAN WRIGHT, ARTHUR R. MILLER, & EDWARD H. COOPER, 19 FEDERAL PRACTICE & PROCEDURE JURISDICTION § 4514 (2d ed. 2007) (discussing what is federal common law). Note, however, that the concept is beyond the scope of this Comment.

21. *Hickman v. Taylor*, 329 U.S. 495, 509-11 (1947).

22. FED. R. CIV. PROC. 26(b)(3).

23. *Hickman*, 429 U.S. at 510-12.

work product immunity: “We do not mean to say that all written materials obtained or prepared by an adversary’s counsel with an eye toward litigation are necessarily free from discovery in all cases.”²⁴

Subsequent courts have extended work product immunity beyond the simple meaning of *Hickman* and Rule 26(b)(3)²⁵ to a privilege-like immunity for oral statements of the attorney that might embody that attorney’s work product or mental impressions.²⁶

Work product can also be divided into two distinct categories: factual and opinion. Factual work product²⁷ can only be divulged “upon a showing that the party seeking discovery has substantial need of the materials . . . and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.”²⁸ In contrast, opinion work product is subject to more stringent limitations on disclosure.²⁹ Some courts have even interpreted Rule 26(b)(3) to provide absolute protection to this element of work product.³⁰ The

24. *Id.* at 511.

25. FED. R. CIV. P. 26(b)(3).

Trial Preparation: Materials.

(A) *Documents and Tangible Things*. Ordinarily, a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party’s attorney, consultant, surety, indemnitor, insurer, or agent). But, subject to Rule 26(b)(4), those materials may be discovered if:

- (i) they are otherwise discoverable under Rule 26(b)(1); and
- (ii) the party shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.

(B) *Protection Against Disclosure*. If the court orders discovery of those materials, it must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party’s attorney or other representative concerning the litigation.

Id.

26. *In re Cendant Corp. Sec. Litig.*, 343 F.3d 658, 662 (3d Cir. 2003) (“It is clear from *Hickman* that work product protection extends to both tangible and intangible work product.”); *United States v. One Tract of Real Prop. Together with all Bldgs, Improvements, Appurtenances, and Fixtures*, 95 F.3d 422, 428 n.10 (6th Cir. 1996) (“When applying the work product privilege to . . . nontangible information, the principles enunciated in *Hickman* apply, as opposed to Rule 26(b)(3) of the Federal Rules of Civil Procedure, which applies only to ‘documents and tangible things.’”) (citations omitted).

27. Factual work product can include factual case summaries, chronological assessments, memos, or interview reports (SEC category I information).

28. FED. R. CIV. P. 26(b)(3).

29. Opinion work product typically includes documents relating to a counsel’s mental impressions.

30. *See, e.g., Duplan Corp. v. Moulinage et Retorderie de Chavanoz*, 509 F.2d 730, 732 (4th Cir. 1974) (“[O]pinion work product material, as distinguished from material not

Supreme Court in *Upjohn*, while not deciding what showing is necessary for the divulgence of opinion work product, implied that there could still be specific instances where even this immunity would not stand.³¹ Subsequently, some federal courts have, in some instances, waived opinion work product immunity.³² Under current Federal Rules of Civil Procedure work product can be produced if

the party shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.

. . . If the court orders discovery of those materials, it must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation.³³

Confusingly, the theory underpinning the work product doctrine is distinct from the rationale supporting its waiver. Simplistically, work product immunity is designed to allocate information between adversarial parties in litigation,³⁴ outlining the bounds of what information ought to be shared between two parties in suit.³⁵ It is essentially an evidentiary issue. In contrast to the immunity itself, waiver hinges on issues relating to attorney professional responsibility to the client. This confusing nature of the work product doctrine has fed the debate over who owns the waiver right. The American Law Institute implies that the ultimate decision is that of the client.³⁶

containing mental impressions, conclusions, opinions, or legal theories, is immune from discovery.”).

31. *Upjohn Co. v. United States*, 449 U.S. 383, 400-02 (1981).

32. See, e.g., G. Michael Halfenger, Comment, *The Attorney Misconduct Exception to the Work Product Doctrine*, 58 U. CHI. L. REV. 1079, 1082-86 (1991).

33. Fed. R. Civ. P. 26(b)(3).

34. See *In re ANR Advance Transp. Co.*, 302 B.R. 607, 615-17 (E.D. Wis. 2003) (providing a more thorough discussion on the nature of the doctrine).

35. *In re Martin Marietta Corp.*, 856 F.2d 619, 624 (4th Cir. 1988).

While the attorney-client privilege is intended to promote communication between attorney and client by protecting client confidences, the work-product privilege is a broader protection, designed to balance the needs of the adversary system: promotion of an attorney's preparation in representing a client versus society's general interest in revealing all true and material facts to the resolution of a dispute.

Id.

36. See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 90 cmt. c (2000).

So long as doing so is not inconsistent with the interests of the client, a lawyer may invoke immunity on the basis of the lawyer's independent interest in privacy. When lawyer and client have conflicting wishes or interests with respect to work-product material, the lawyer must follow instruction of the client.

Professor Zacharias asserts that many jurisdictions consider waiver to be owned by the attorney.³⁷

While the issue of work product immunity has also come under fire as a result of the *EchoStar* ruling,³⁸ a fuller examination is beyond the scope of this relatively short discussion.

III. WILLFUL INFRINGEMENT OF A PATENT³⁹

In addition to injunctions and compensatory damages, courts have the opportunity to attach damage multipliers, punitive damages, and lawyers' fees to patent infringement penalties;⁴⁰ currently, the most common reason for increased damages is willful infringement.⁴¹

Although the term "willful" is widely used without any consistency in statutes and case law, "it is generally understood to refer to conduct that is not merely negligent."⁴² Willful infringement represents the notion "that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence."⁴³ Note that even the Federal Circuit admits to the lack of a good definition of willfulness:⁴⁴

Willfulness . . . is not an all-or-nothing trait, but one of degree. . . . [It] may range from unknowing, or accidental, to deliberate, or reckless, disregard of a patentee's legal rights. The role of a finding of "willfulness" in the law of infringement is partly as a deterrent—an economic deterrent to the tort of

Id.

37. Zacharias, *supra* note 19, at 135.

38. See, e.g., *TiVo, Inc. v. EchoStar Commc'ns Corp.*, 127 S. Ct. 846 (2006) (denying certiorari).

39. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1342 (Fed. Cir. 2004) (emphasis added) (citations omitted).

[T]he Supreme Court has observed that the word willful is widely used in the law, and, although it has not by any means been given a perfectly consistent interpretation, it is generally understood to refer to conduct that is not merely negligent The concept of *willful* infringement is not simply a conduit for enhancement of damages; it is a statement that patent infringement, like other civil wrongs, is disfavored, and intentional disregard of legal rights warrants deterrence.

Id.

40. See 35 U.S.C. § 284 (2006).

41. 7 DONALD S. CHISUM, *CHISUM ON PATENTS* § 20.03(1)(b)(v) (2002).

42. *Knorr-Bremse*, 383 F.3d at 1342.

43. *Id.*

44. "There are no hard and fast rules regarding a finding of willfulness." *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 792 (Fed. Cir. 1995). *But see, e.g., Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986) (establishing a three-factor test for willfulness).

infringement—and partly as a basis for making economically whole one who has been wronged

. . . [It] reflects a threshold of culpability in the act of infringement that, alone or with other considerations of the particular case, contributes to the court's assessment of the consequences of patent infringement.⁴⁵

Central to this idea is that willfulness is a determination of the defendant's state of mind.⁴⁶ A factual finding of willful infringement must be established by clear and convincing evidence.⁴⁷ Once a court has found a willful infringement, there is the potential for,⁴⁸ although not a guaranteed finding of, increased damages.⁴⁹

With the perpetual threat of increased damages, and the difficulty in getting willfulness reversed on appeal,⁵⁰ potential infringers principally defend themselves through showing that they acted on advice of counsel,⁵¹ a technique that often works, even when that opinion is later

45. *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed. Cir. 1987). *See also* *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1583 (Fed. Cir. 1996).

The issue of *willful* infringement measures the infringing behavior, in the circumstances in which the infringer acted, against an objective standard of reasonable commercial behavior in the same circumstances. . . . [It is] a measure of reasonable commercial behavior in the context of the tort of patent infringement [including] [t]he extent to which the infringer disregarded the property rights of the patentee, the deliberateness of the tortious acts, . . . [and] other manifestations of unethical or injurious commercial conduct

Id. (emphasis added).

46. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992).

47. *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1363-64 (Fed. Cir. 1998) (“Willfulness is a question of fact to be proven by clear and convincing evidence . . . because the boundary between unintentional and culpable acts is not always bright”) (citations omitted).

48. *Read Corp.*, 970 F.2d at 826.

An award of enhanced damages . . . is committed to the discretion of the trial court. While no statutory standard dictates the circumstances under which the district court may exercise its discretion, this court has approved such awards where the infringer acted in wanton disregard of the patentee's patent rights, that is, where the infringement is willful.

Id.

49. “[F]inding of *willful* infringement merely *authorizes*, but does not *mandate*, an award of increased damages.” *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990) (first emphasis added).

50. *See, e.g.*, *Spindelfabrik Suessen-Schurr Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1083 (Fed. Cir. 1987) (noting that a “district court's finding of *willful* infringement is a finding of fact, reviewable under the clearly erroneous standard”) (emphasis added).

51. *See Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). If the defendant “has actual notice of another's patent rights, he has an

found to be wrong.⁵²

The specter of a willful infringement decision against the defendant in a patent infringement suit creates not only a reality where most clients are advised by their attorneys to not read patents,⁵³ which undermines a principle component of the patent system and impedes information and the dissemination of knowledge,⁵⁴ but it also creates a Hobson's choice for the potential infringer.⁵⁵ She can choose to rely on

affirmative duty to exercise due care to determine whether or not he is infringing." *Id.* at 1389. *Underwater* also provides a list of criteria necessary to evaluate the sufficiency of an advice of counsel letter. *Id.* at 1390. In particular, *Underwater* focuses at looking to the four corners of the opinion letter. *Id.* Note, however, that failure to receive advice of counsel does not create an "adverse inference that an opinion of counsel was or would have been unfavorable." *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004). *Knorr-Bremse* overturned a nearly twenty-year-old decision wherein a defendant's "silence on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its importation and sale of the accused products would be an infringement of valid U.S. patents." *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986). Note additionally that advice of counsel is not always an adequate defense to willful infringement. The courts often recognize that counsel's opinion on validity is evidence to be weighed towards a determination of good faith; it is not dispositive. *Gen. Elec. Co. v. Sciaky Bros.*, 415 F.2d 1068, 1073 (6th Cir. 1969). It is necessary to look at "the totality of the circumstances presented in [the] case." *Underwater*, 717 F.2d at 1390.

52. *Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 862 F.2d 1564 (Fed. Cir. 1988). The attorney's opinion,

although later shown to be incorrect, contained significant, scientifically based *objective* factors to justify Valles' conclusion of no infringement. He contrasted Valles' opinion to those in other cases which lacked any appearance of competence, authoritativeness, or internal indicia of credibility, which, he recognized, are some of the important factors to consider when evaluating an opinion letter.

Id. at 1579. *But see Cent. Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1577 (Fed. Cir. 1983) (finding that "the attorney's advice, based solely on file history prior art, *does not by itself* raise an inference of good faith substantial enough to convince us that the trial court's determination of *willful* infringement was clearly erroneous") (second emphasis added).

53. *See, e.g., Mark A. Lemley & Ragesh K. Tangri, Ending Patent Law's Willfulness Game*, 18 BERKELEY TECH. L.J. 1085, 1102 (2003) (discovering that "experienced patent lawyers often advise their clients to avoid reading patents in order to avoid liability for willfulness").

54. "This undermines one of the principal purposes of the patent system—to make others aware of innovations that could help stimulate further innovation." BD. ON SCI., TECH., AND ECON. POLICY & GLOBAL AFFAIRS NAT'L RESEARCH COUNCIL, COMM. ON INTELLECTUAL PROP. RIGHTS IN THE KNOWLEDGE-BASED ECON., A PATENT SYSTEM FOR THE 21ST CENTURY (Stephen A. Merrill, Richard C. Levin, and Mark B. Myers, Eds., National Academies Press) (2004) [hereinafter NAS Report]. The NAS Report also notes that the issue of willfulness is asserted in most cases and often overshadows much of the litigation. *Id.* at 184.

55. Note also that a lawyer's advice regarding this choice also becomes a Hobson's choice:

Any lawyer advising a client about the practical realities arising from the Fromson

her opinion counsel's advice as a defense but risk waiving all related attorney-client privilege,⁵⁶ or she can choose to forego the defense in defending a charge of willful infringement.⁵⁷ Even more disconcerting is the continuing uncertainty regarding the extent of the waiver because it may waive even trial counsels' privileges and immunities related to the issue of willful infringement.⁵⁸

doctrine, [the first Hobson choice], also faces a Hobson's choice. Rule 2.1 of the ABA Model Rules . . . requires a lawyer to advise the client candidly as to all risks and strategies in a case. By giving candid advice, however, a lawyer places the client at risk if the opinion either must be disclosed subsequently or an adverse inference drawn from refusing to disclose the opinion. The lawyer's only alternative is to produce a sanitized opinion in the nature of a brief with the expectation that it will be disclosed.

Under Fromson, the lawyer's opinion becomes part and parcel of the client's defense at trial. The sanitized opinion comes at the cost of candor. A rule that punishes non-disclosure not only undermines the privilege but may well tarnish the advice given.

Brief for the American Bar Association as Amicus Curiae Supporting Neither Party at *5-6, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 344 F.3d 1336 (Fed. Cir. 2003) (No. 01-1357), 2003 WL 23200567, available at http://www.abanet.org/intelprop/amicus_brief.doc (last visited December 20, 2006). Ad hoc exceptions to the privilege may also cause "general erosion." *Swidler & Berlin v. United States*, 524 U.S. 399, 410 (1998). Thus, Fromson penalizes candor and changes what should be candid advice into advocacy.

56. "A survey of patent case law has convinced this court that the use of the advice of counsel defense waives the attorney-client privilege." *Mushroom Assocs. v. Monterey Mushrooms, Inc.*, 24 U.S.P.Q.2d 1767, 1770 (N.D. Cal. 1992).

57. See, e.g., *Abbott Labs. v. Baxter Travenol Labs., Inc.*, 676 F. Supp. 831, 832-33 (N.D. Ill. 1987), opining that

in patent cases, the waiver rule creates a cruel dilemma for one accused of *willful* infringement. While reliance on advice of counsel is not necessary per se to defend the suit, it is, as a practical matter, absolutely essential to the good faith defense. Thus the choice is between a complete sacrifice of the privilege or a complete sacrifice of the defense.

Id. (emphasis added).

58. *Mushroom Assocs.*, 24 U.S.P.Q.2d at 1770.

Some courts have found that the invocation of the advice of counsel defense waives both the attorney-client privilege and work product immunity. Certainly, principles of fairness as enunciated with respect to the attorney-client privilege seem just as applicable to the work product immunity. If a party is going to attack another party's reliance on advice of counsel, information covered by the work product immunity would aid in that attack.

Id. (citation omitted). In some instances this may even go to mental impressions of the attorney. *Handgards, Inc. v. Johnson & Johnson*, 413 F. Supp. 926, 931 (N.D. Cal. 1976). The court found

that in the particular circumstances of [that] case, [the] plaintiff ha[d] made a sufficient showing of substantial need and undue hardship to overcome the qualified immunity from discovery for non-mental impression work product . . . [and that there was not] an absolute immunity from discovery for opinion work product, barring disclosure of such material under any circumstances

IV. UNCERTAINTY IN THE EXTENT OF WAIVER

Especially troubling for alleged infringers mounting a defense against a willful infringement claim prior to the recent *Seagate* decision has been the uncertainty regarding the extent of their waiver once they produce the opinion letter.⁵⁹ This pervasive problem may have resulted from courts inconsistently applying vague or unrelated precedent to a very fact-specific question.⁶⁰ Thus, Courts differ with regard to (1) whose law to apply;⁶¹ (2) whether work product immunity is always waived along with privilege;⁶² (3) whether it makes a difference if the opinion work product is oral or written;⁶³ (4) whether an attorney's

Id. See also *Solomon v. Kimberly-Clark Corp.*, No. 98C7598, 1999 WL 89570, at *2 (N.D. Ill. Feb. 12, 1999) (“The assertion of an advice of counsel defense results in a waiver of the attorney-client privilege. Courts have held that the advice of counsel defense results in a waiver of the attorney work product protection as well.”) (citations omitted).

59. “[T]here is considerable division of opinion about how far (if at all) the waiver extends to work product that counsel generated before the suit was filed but did not share with the defendant.” *Sharper Image Corp. v. Honeywell Int'l, Inc.*, 222 F.R.D. 621, 624 n.4 (N.D. Cal. 2004). “An uncertain privilege—or one which purports to be certain, but rests in widely varying applications by the courts—is little better than no privilege.” *Rhone-Poulenc Rorer Inc. v. Home Indem. Co.*, 32 F.3d 851, 863 (3d Cir. 1994) (quoting *In re von Bulow*, 828 F.2d 94, 100 (2d Cir. 1987)).

60. Courts have applied the precedents to achieve any number of desired results. While all the options have been available as judicial precedents, “the trick is to look over the heads in the crowds and pick out your friends.” ANTONIN SCALIA, *A MATTER OF INTERPRETATION* 36 (Princeton University Press 1997) (quoting J. Harold Leventhal).

61. See *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1197-98 (W.D. Mich. 1997) (finding that for this issue, Federal Circuit law controls). *But see Aspex Eyewear, Inc. v. E'Lite Optik, Inc.*, 276 F. Supp. 2d 1084, 1092 (D. Nev. 2003) (deciding that the regional circuit law controls). Although note that

there is no such thing as the “law of the district.” Even where the facts of a prior district court case are, for all practical purposes, the same as those presented to a different district court in the same district, the prior “resolution of those claims does not bar reconsideration by this Court of similar contentions. The doctrine of *stare decisis* does not compel one district court judge to follow the decision of another.” *Threadgill v. Armstrong World Indus., Inc.*, 928 F.2d 1366, 1371 (3d Cir. 1991) (citations omitted).

62. Compare *Chimie v. PPG Indus., Inc.*, 218 F.R.D. 416, 421 (D. Del. 2003) (refusing to adopt the idea that a “waiver of the attorney client privilege is *ipso facto* a decision to waive the protections of the work product doctrine”), with *Greene, Tweed of Del., Inc. v. DuPont Dow Elastomers, L.L.C.*, 202 F.R.D. 418, 420 (E.D. Pa. 2001) (“The waiver principle applies to work product immunity as well as to the attorney-client privilege. Therefore, where a party asserts the advice of counsel as an essential element of its defense, work product immunity, like attorney-client privilege, is waived with respect to the subject of that advice.”) (citation omitted).

63. See, e.g., *Variable-Parameter Fixture Dev. Corp. v. Morpheus Lights, Inc.*, 31 U.S.P.Q.2d 1158, 1160 (S.D.N.Y. 1994) (distinguishing precedence, noting that the Plaintiff “has demonstrated a substantial need for . . . [counsel's documents], given that the opinion

opinion work product immunity is also waived;⁶⁴ (5) whether immunity regarding information not provided to the client is included in the waiver;⁶⁵ (6) the extent of the waiver in terms of subject matter;⁶⁶ (7) the

provided by the Rosenblum firm was given orally. Thus, access to all documents before the opinion provider is essential to cross-examination.”).

64. See, e.g., *Holmgren v. State Farm Mut. Auto. Ins. Co.*, 976 F.2d 573, 577 (9th Cir. 1992) (finding that opinion work product is discoverable where the “mental impressions [of counsel] are at issue and the need for the material is compelling”) (emphasis omitted).

65. See *Glenmede Trust Co. v. Thompson*, 56 F.3d 476, 486-87 (3d Cir. 1995) (compelling a law firm to provide the entire file relating to the opinion letter including documents that were never provided to the defendant). See also *Mosel Vitelic Corp. v. Micron Tech., Inc.*, 162 F. Supp. 2d 307, 312 (D. Del. 2000).

[B]y limiting the waiver of the privilege only to those matters which are communicated to the client, *Thorn* and its progeny have effectively encouraged patent counsel to place only the most favorable version of the facts and the law in their opinion letters, even if these attorneys are aware of other information which is far less helpful to their client.

Id. Contra Thorn EMI N. Am., Inc., v. Micron Tech., Inc., 837 F. Supp. 616, 622 (D. Del. 1993) (“[T]he determination of a claim of willful infringement relate[s] to the infringer’s state of mind. Counsel’s mental impressions, conclusions, opinions or legal theories are not probative of that state of mind unless they have been communicated to that client.”).

66. See *Mushroom Assocs. v. Monterey Mushrooms, Inc.*, 24 U.S.P.Q.2d 1767, 1770 (N.D. Cal. 1992) (finding that the defendants waived the attorney-client privilege with respect to all documents that pertained to the infringement of the patent); *Steelcase*, 954 F. Supp. at 1198-99 (requiring that the opinion be produced without redaction, even irrelevant information, and including all documents that refer or relate, or documents that could be the basis for the opinion letter); *Novartis Pharms. Corp. v. Eon Labs. Mfg.*, 206 F.R.D. 396, 399 (D. Del. 2002). The court found

it is critical for the patentee to have a full opportunity to probe, not only the state of mind of the infringer, but also the mind of the infringer’s lawyer upon which the infringer so firmly relied. There is no reason why the alleged infringer’s waiver of the attorney-client privilege should not be considered absolute, encompassing materials typically protected by the work product doctrine.

....

... [And ruling that] because Eon has relied on the advice of counsel defense, the Court concludes that Eon has waived any privilege that may pertain to those documents and communications related in any way to its counsel’s opinion.

Id. Contra Kelsey-Hayes Co. v. Motor Wheel Corp., 155 F.R.D. 170, 172 (W.D. Mich. 1991) (“[I]n patent cases, courts generally construe the scope of the subject matter waiver narrowly.”); *Thorn*, 837 F. Supp. at 622 (“The facts of consequence to the determination of a claim of willful infringement relate to the infringer’s state of mind. Counsel’s mental impression, conclusions, opinions or legal theories are not probative of that state of mind unless they have been communicated to that client”); *Dunhall Pharms., Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1210 (C.D. Cal. 1997) (rejecting “the contention that by asserting an advice of counsel defense to willful infringement, the Defendants were required to waive attorney client privilege and work product protections on each subject matter addressed in the opinion letters, i.e., infringement, validity and enforceability.”); *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 217 (D. Mass. 2000) (“The issue of infringement is distinct from the issues of validity and enforceability [W]aiver of the attorney-client privilege as to one issue does [not] serve as a waiver of the privilege as to all issues.”)

temporal extent of the waiver—i.e., at what time point is subsequent attorney client discussion and work product no longer part of the waived component;⁶⁷ and, most important for this discussion, (8) whether waiver by one counsel will affect other counsel's (most distressingly trial counsel's) privileges and immunities.⁶⁸ Without any consensus among the courts as to the extent of waiver, lawyers and their clients cannot accurately calculate the costs and benefits of an advice of counsel defense. *EchoStar* was a failed effort by the Federal Circuit to clear up this issue and the direct impetus for the *Seagate* decision.

(alteration in original) (citation omitted)).

67. See, e.g., *Dunhall*, 994 F. Supp. at 1206 (finding that waiver applies only to documents produced “up to the time that the lawsuit was filed”). While likely related to the subject matter of the asserted defense, information produced for trial is fundamentally different from a similar pre-litigation analysis. In comparison to work product produced prior to the filing of the lawsuit, litigation-related work product deserves greater protection. *Id.* See also *Motorola, Inc. v. Vosi Techs., Inc.*, No. 01C4182, 2002 U.S. Dist. LEXIS 15655, at *7 (N.D. Ill. Aug. 19, 2002) (limiting waiver to advice defendant received before suit was filed); *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, 149 F. Supp. 2d 659, 664 (S.D. Ind. 2001) (ruling that waiver does not extend past the start of trial); *Hoover Universal, Inc. v. Graham Packaging Corp.*, 44 U.S.P.Q.2d 1596, 1598 (C.D. Cal. 1996) (finding that waiver is “limited to documents created prior to May 17, 1995, the date the first complaint was filed”). *Contra Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003) (“[T]he waiver of attorney-client privilege or work product protection covers all points of time, including up through trial.”); *Chiron Corp. v. Genentech*, 179 F. Supp. 2d 1182, 1188 n.4 (E.D. Cal. 2001) (“[T]emporal scope of the work product waiver necessarily [does not end] with the filing of the litigation.”); *Thermos Co. v. Starbucks Corp.*, No. 96C3833, 1998 U.S. Dist. LEXIS 17753, *13 (N.D. Ill. Nov. 3, 1998) (“[T]he waiver does not cease as of the date an opinion letter is authored.”); *McCormick-Morgan, Inc. v. Teledyne Indus. Inc.*, 21 U.S.P.Q.2d 1412, 1424 (N.D. Cal. 1991) (“[I]t is not appropriate . . . for the waiving parties or judge to limit the waiver on a temporal basis.”); *Smith v. Alyeska Pipeline Serv. Co.*, 538 F. Supp. 977, 980-82 (D. Del. 1982), *aff'd*, 758 F.2d 668 (Fed. Cir. 1984) (finding that a waiver of privilege on counsel's also applied to later communications on the same subject).

68. Compare *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1191 (D.S.C. 1974) (limiting waiver to “all communications between the same attorney and the same client on the same subject made *before* the privileged document was voluntarily waived”); *Chiron*, 179 F. Supp. 2d at 1188 n.5 (“The court does not hold that litigation counsel opinion would necessarily be immune from discovery.”); *Micron Separations*, 159 F.R.D. at 365 (waiver extends to work product of trial counsel expressed to defendant which contain “*potentially damaging information*” and/or express “*grave reservations*” respecting the opinion letter) (emphasis in original), *with Beneficial Franchise Co. v. Bank One*, 205 F.R.D. 212, 218 (N.D. Ill. 2001) (“[F]airness is served by allowing the opposing party to have access to documents casting doubt or contradicting those opinions—even if prepared by trial counsel after suit was commenced.”); *Thermos Co.*, 1998 U.S. Dist. LEXIS 17753 at *13 (ordering “[d]efendants to produce only those documents authored by their present trial counsel which (1) counsel communicated to Defendants and (2) contain conclusions that contradict or cast doubt” on the opinion letters).

V. *ECHO*STAR

Prior to *EchoStar*, the Federal Circuit, in an en banc decision, ruled that no adverse assumption could be made regarding a defendant's decision to not claim an advice of counsel defense against a charge of willful infringement.⁶⁹ Nevertheless defendants continue to use the defense of advice of counsel even considering the uncertain consequences.⁷⁰

EchoStar was sued by TiVo for patent infringement on patent number 6,233,389—"a multimedia time warping system."⁷¹ Prior to the filing of the suit, *EchoStar* looked to in-house counsel for an opinion as to the potential infringement on TiVo's patents. Subsequent to the suit, *EchoStar* sought, but initially ignored, further advice from outside counsel, Merchant & Gould. The district court ruled that in relying on its in-house counsel for a defense against willful infringement, *EchoStar* waived both attorney-client privilege and work product immunity, with regard to both in-house counsel and Merchant & Gould, and that the scope of the waiver included communications made either before or after the filing of the complaint and any work product, whether or not the product was communicated to *EchoStar*. . . .

. . . .

. . . [As the] documents could be relevant or lead to the discovery of admissible evidence because they might contain information that was conveyed to *EchoStar*, even if the documents were not themselves conveyed.⁷²

Seeing an opportunity to set the record straight on waiver, the Federal Circuit allowed an appeal. Citing *Advanced Cardiovascular Systems v. Medtronic, Inc.*,⁷³ the court first made it clear that given the patent focus of the inquiry, the decision would be based not on regional circuit law, but on Federal Circuit law.⁷⁴

Next, citing *Akeva*,⁷⁵ the Federal Circuit noted that there was no

69. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2003) ("The adverse inference that an opinion was or would have been unfavorable, flowing from the infringer's failure to obtain or produce an exculpatory opinion of counsel, is no longer warranted. Precedent authorizing such inference is overruled.")

70. See, e.g., Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 228 (2004).

71. Patent 6,233,389 (filed July 30, 1998).

72. *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1297 (Fed. Cir. 2006).

73. 265 F.3d 1294, 1307 (Fed. Cir. 2001).

74. *EchoStar*, 448 F.3d at 1298.

75. *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003).

distinction with regard to the matter at hand between in-house counsel and counsel sought from Merchant & Gould—communication between both was waived.⁷⁶

In determining the scope of the privilege waiver, the court acknowledged the fears raised by the plaintiff in *XYZ Corporation*:⁷⁷ the use of privilege as both “a sword and a shield” disclosing only favorable communication but withholding unfavorable communication. To prevent such an abuse, the court ruled that waiver includes “all such communications regarding the same subject matter.”⁷⁸

Next, in ruling on work product immunity waiver, the court noted the blurred distinction between factual and opinion work product and asserted that the district court should “balance the policies to prevent sword-and-shield litigation tactics with the policy to protect work product.”⁷⁹

The court also enumerated a non-exhaustive list of three potentially relevant categories of work product:

(1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney’s mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client.⁸⁰

As to the first category, the court found that generally all courts agreed,⁸¹ but that there was dissension within the district courts as to the next two categories of work product.⁸² To repair the inconsistencies, the court decided definitively that waiver would include the third category but not the second, which may include some of the disputed Merchant & Gould documents, noting that

[w]ork-product waiver extends only so far as to inform the court of the *infringer’s* state of mind. Counsel’s opinion is not important for its legal correctness. It is important to the inquiry “whether it is thorough enough, as combined with other factors,

76. *EchoStar*, 448 F.3d at 1304-05.

77. *XYZ Corp. v. United States*, 348 F.3d 16, 24 (1st Cir. 2003).

78. *EchoStar*, 448 F.3d at 1301.

79. *Id.* at 1302.

80. *Id.*

81. *See id.*

82. *Id.* at 1302-03.

to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable.”⁸³

The court also resolved the temporal issue with regard to waiver, once again quoting *Akeva*: “once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement,” including privileged information relayed during trial.⁸⁴

Although *EchoStar* never mentioned the issue of waiver of trial counsel’s privilege and immunity, it mentions, albeit in dicta and in a footnote, *Akeva*, in a favorable light.⁸⁵ The citation points to a very broad interpretation of waiver:

[B]ecause infringement is a continuing activity, the requirement to exercise due care and seek and receive advice is a continuing duty. Therefore, once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement. Consequently, the waiver of attorney-client privilege or work product protection covers all points of time, including up through trial. The waiver also is not limited to the advice given by opinion counsel. Since the waiver encompasses the subject matter of advice, that means that all opinions received by the client must be revealed, *even those opinions the client receives from attorneys other than opinion counsel*.⁸⁶

This favorable mention has led to some confusion regarding the exact nature of the *EchoStar* opinion, particularly as to whether waiver extends even to trial counsel.⁸⁷

83. *Id.* at 1303 (emphasis in the original).

84. *Id.* at 1302 n.4 (quoting *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003)).

85. *Id.* In summarizing his comments in *Akeva*, Judge Eliason cabins the opinion somewhat, noting that

the broad waiver rule requiring full disclosure of documents, even if they were not given to the client, is best suited to the situation where the opinion counsel is [also] trial counsel . . . [where] there is a greater need to make sure the opinion is not tainted by bias or other influences. And, counsel’s uncommunicated thoughts and information may also be relevant in determining the competency of the opinion. . . . To the extent that a broader waiver of work product protection might also disclose the trial attorney has been orchestrating a sham opinion with opinion counsel, the Court finds that possibility to be sufficiently remote and more difficult to orchestrate. Therefore, when the opinion counsel is independent, and should nothing else appear, the broader waiver of work product need not be employed.

Akeva, 243 F. Supp. 2d at 424.

86. *Id.* at 423 (emphasis added).

87. *Computer Assocs. Int’l, Inc. v. Simple.com, Inc.*, No. O2 CIV. 2748, 2006 U.S. Dist.

EchoStar not only failed in its attempt to resolve the issue, but it and its progeny have further added to the confusion.⁸⁸ Unfortunately, while a full examination of the twenty-odd subsequent cases is beyond the limitations of this Comment, it is worth noting that in *EchoStar* there are inconsistencies with regard to subject matter scope, temporal scope, and, most relevant to this discussion, the inclusion of trial counsel within the waiver.⁸⁹ Nevertheless, the Federal Circuit has refused to rehear the

LEXIS 77077, at **12-13 (E.D.N.Y. October 20, 2006). Note, however, that the discussion in *Akeva*, referenced by many cases, discusses only privilege and not work product immunity.

88. “[P]redictably, the courts that have reviewed this issue post-*EchoStar* are split.” CCC Info. Servs., Inc. v. Mitchell Int’l, Inc., No. 03C2695, 2006 WL 3486810, at *4 (N.D. Ill. Dec. 1, 2006).

89. See, e.g., *Computer Assocs.*, 2006 U.S. Dist. LEXIS 77077, at *13. The court noted that although *EchoStar* did not involve issues relating to waiver of trial counsel immunity and privilege, *EchoStar* cites favorably to *Akeva*:

The supporting citation to *Akeva* . . . indicates to this Court that the Federal Circuit would extend the waiver to all attorneys who provided advice, including, in the case of ongoing infringement, trial counsel. Excluding trial counsel from the scope of the waiver would permit a party to use the attorney-client privilege as both a sword and shield by allowing a party to choose which opinions are disclosed and which are not.

Id. See also *Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 356-57 (D. Del. 2006) (noting that its interpretation of *EchoStar* would include waiver of both trial counsel and opinion counsel’s privilege with regard to *willful* infringement). As opposed to other cases, the *Affinion* court does not need to make reference to *Akeva* to support this reading; it simply states that *EchoStar* is to be understood as waiver of communications with all counsel and with regard to any particular defense of infringement. See *id.* at 357. See also *Ampex Corp. v. Eastman Kodak Co.*, No. 04-1373-KAJ, 2006 U.S. Dist. LEXIS 48702, at **7-9 (D. Del. July 17, 2006) (finding that *EchoStar* dealt primarily with issues relating to work product immunity, that it only dealt with privilege broadly and reasserted general principles, and that *EchoStar* ought to be limited only to the particular facts of the case); *In re Target Tech. Co.*, Misc. Docket No. 827, 2006 U.S. App. LEXIS 26240, at **4-5 (Fed. Cir. October 12, 2006) (although basing its ruling on Ninth Circuit law, the court found that even extrajudicial disclosures relating to an opinion letter constitute a waiver); *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46, 50-51 (D.D.C. 2006) (extending the coverage of subject matter to issues beyond the actual communication at issue and ruling that “Intex has waived the attorney-client and work product privileges ‘for any document or opinion that embodies or discusses a communication to or from it concerning whether patent ‘469 is valid, enforceable, and infringed,’” but also finding any issue relating to the temporal nature of the waiver to be limited to the particular facts of *EchoStar* and not applicable) (citations omitted); *Outside the Box Innovations, L.L.C. v. Travel Caddy, Inc.* 455 F. Supp. 2d 1374, 1379 (N.D. Ga. 2006) (ruling that there was a waiver of “[a]ll documents that reflect communications . . . that relate to the scope, validity, infringement, and/or enforceability of the ‘92 and ‘104 patents, including any and all attorney notes, summaries, documents and drafts of documents related to the same subject matters and that embody or discuss a communication” and “[a]ny document or opinion that embodies or discusses a communication . . . [regarding whether the patent is] valid, enforceable, and infringed . . . regardless of the counsel involved, and regardless of the date”) (emphasis added); *Ind. Mills & Mfg., Inc. v. Dorel Indus., Inc.*, No. 1:04-CV-01102-LJM-WTL, 2006 U.S. Dist. LEXIS 34023, at *19 (S.D. Ind. May 26, 2006) (reading *EchoStar* to mean that the temporal scope of

case en banc,⁹⁰ thus leaving it to district-level judiciary and possibly extra-judiciary methods to help litigants in this area of law. The Federal Circuit's seeming initial complacency with regard to these uncertainties seemed to be in direct opposition to the policies stated by the Supreme Court.⁹¹ The Federal Circuit's contentment with its *Echostar* soon dissolved, and it quickly agreed to take up *In re Seagate* en banc to try again to sort out the issues.

VI. IN RE SEAGATE

The Massachusetts Institute of Technology and Convolv Inc. sued Seagate in the summer of 2000, asserting willful infringement of two patents.⁹² In response, Seagate obtained, over the span of a number of years, three written opinions from its counsel, Gerald Sekimura. Each of the letters concluded that many of Convolv's patent claims were invalid, that the patents were possibly unenforceable, and that Seagate did not infringe.⁹³ Although the parties did not dispute the independent nature of the opinion counsel as distinct from the trial counsel,

the waiver does not always extend post filing of the litigation and that the subject matter waiver is limited to the subject matter of the waived opinion letter); *Beck Sys., Inc. v. Managesoft Corp.*, No. 05C2036, 2006 U.S. Dist. LEXIS 53963, at **16-17 (N.D. Ill. July 14, 2006) (extending waiver of privilege and immunity to trial counsel, but limiting the subject matter narrowly to the discussion in the opinion letter); *Autobytel, Inc. v. Dealix Corp.*, 455 F. Supp. 2d 569, 575 (E.D. Tex. 2006) (noting that the court was "not persuaded that *EchoStar* mandates waiver as to unenforceability, validity, and non-infringement when an advice-of-counsel defense of non-infringement only is asserted."); *Abbott Labs. v. Andrx Pharms., Inc.*, No. 05C1490, 2006 U.S. Dist. LEXIS 55647, at *15 (N.D. Ill. July 25, 2006) (reading *EchoStar* to not endorse an automatic waiver of work product immunity following a waiver of attorney-client privilege); *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, No. C02-3378 JSW, 2006 U.S. Dist. LEXIS 58976, at **5-7 (N.D. Cal. Aug. 9, 2006) (reading *EchoStar*'s support of *Akeva* to infer a waiver of trial counsel privilege as well following the disclosure of an opinion letter); *Genentech, Inc. v. Insmmed Corp.*, 442 F. Supp. 2d 838, 843 (N.D. Cal. 2006) (noting that a statement by trial counsel stating that it had not commented on a likelihood of success regarding invalidity or infringement would not be credible, and therefore a waiver by the defendant on an opinion letter would almost always also waive trial counsel privilege); *CCC Info. Services*, 2006 WL 3486810, at **4-6 (understanding *EchoStar* to limit the waiver of privilege to only the particular subject matter, including allowing for the redaction of related text in the opinion letter).

90. Certiorari was also denied by the Supreme Court, although in that instance, TiVo was asking the Court to narrow the Federal Circuit's *per se* rule against disclosure of undisclosed attorney mental impressions. *TiVo, Inc. v. EchoStar Commc'n Corp.*, 127 S. Ct. 846 (2006).

91. See, e.g., *Jaffee v. Redmond*, 518 U.S. 1, 18 (1996).

92. This was later changed to three patents in an amended complaint in January of 2002. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

93. *Id.* at 1366.

Convolve attempted to get privilege and immunity waived for trial counsel as well: Convolve asserted that Seagate waived its attorney-client privilege through notifying of its intent to rely on the three letters and moved for discovery of communications and work product of Seagate's trial counsel.⁹⁴ The trial court concluded in favor of Convolve: Seagate had waived privilege and work product immunity with any and all counsel with regard to infringement invalidity and enforceability opinions from the time that Seagate first learned of the patents and through the course trial.⁹⁵

In response to Seagate's writ of mandamus, the Federal Circuit took up the case en banc. There was universal anticipation that the court would thoroughly deal with the issue and finally get it right sorting out the mess twenty-five years in the making.

In its decision, released August 20, 2007, the court overruled *Underwater Devices*, and attempted to "clarify the scope of the waiver of attorney-client privilege and work product protection that results when an accused patent infringer asserts an advice of counsel defense to a charge of willful infringement."⁹⁶

In rejecting *Underwater Devices*,⁹⁷ the court eliminated the affirmative duty of care to determine whether one was infringing another's patent rights, i.e., "*inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity,"⁹⁸ and reemphasized that there is no affirmative obligation to obtain opinion of counsel. In doing away with this duty, the court justified its discarding of its earlier decision, noting that the duty was created at a time when there was "widespread disregard of patent rights [that] was undermining the national innovation incentive."⁹⁹ This fear, having now been assuaged to the court's satisfaction, allowed it to overrule a now outdated ruling.

The court also reassessed the threshold requirement for finding

94. *Convolve, Inc. v. Compaq Comp. Corp.*, 224 F.R.D. 98, 101 (S.D.N.Y. 2004).

95. *Id.* at 110.

96. *Seagate*, 497 F.3d at 1365.

97. *Underwater Devices'* position regarding an affirmative duty of care, and the necessity of seeking out advice of counsel itself, was arguably not supported by the case law it itself cited. Simon Frankel and Deanna Kwong, *Willful Infringement and Privilege After In re Seagate*, Address before SFIPLA (Nov. 16, 2007).

98. *Seagate*, 497 F.3d at 1368-69 (citation omitted).

99. *Id.* (citing *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (en banc) (citing Advisory Committee on Industrial Innovation Final Report, Dep't of Commerce (Sep. 1979))).

willful infringement. *Underwater Devices* had created a relatively low threshold similar to a negligence standard.¹⁰⁰ In *Seagate*, the Federal Circuit, in finding this standard inconsistent with Supreme Court precedent, created a new two part standard: (i) an objective recklessness inquiry that shifted the burden of proof of willful infringement to the patentee. To surmount this threshold, a patentee has to first prove by clear and convincing evidence that the putative infringer continued her actions despite the objectively high likelihood that her actions constituted infringement, and (ii) a subjective standard that this risk of infringement was known, or should have been known to the defendant.¹⁰¹

While this ruling would seem to provide potential infringers with much needed relief, it is still unclear how a jury might nevertheless see a defendant who in the face of a potential infringement did not seek an attorney's opinion on infringement; or, if it did, still refused to show it to the court.

The decision may have shifted the balance of power too overwhelmingly in favor of defendants who might now be able to seek a declaratory judgment, in a favorable jurisdiction, in response to the extensive notice of infringement that is required by the *Seagate* decision to set off a charge of willful infringement.

Of additional interest to litigators is the potential for the automatic tying of the now high threshold for finding willfulness with the determination that the case is exceptional enough to award attorney fees.¹⁰² If the patentee can overcome the high threshold to show an objective and subjective willful infringement by the defendant, courts might rightly, or wrongly, assume that attorney's fees are also in order.

Note however that the entire discussion regarding willfulness may soon become moot, and begs the question as to why the Federal Circuit chose, *sua sponte*, to address the issue of willfulness. Current patent legislation in Congress attempts to deal directly with the issue of willfulness in patent litigation, and according to some consumer advocacy groups, does a better job at cabining the definition of willfulness than the *Seagate* court.¹⁰³

100. *Id.* at 1371.

101. *Id.*

102. *See* 35 U.S.C. § 285 (2006).

103. *See, e.g.*, Press Release: Consumer Groups Ask Senate to Take Up Patent Bill (Nov. 7, 2007), available at <http://www.publicknowledge.org/node/1258> (suggesting that further clarity is still required "to reduce the pressure on defendants to license patents of

Section 5(c) of the Patent Reform Act of 2007, in describing instances where willful infringement may not be found, notes, as the first example, the reasonable reliance on advice of counsel.¹⁰⁴ This legislation would seem to reinstate the opinion letter to its former level of importance in determining willfulness, irrespective of the current decision of the court. Further, the legislation, which notably was passed subsequent to the *Seagate* decision, does not include a subjective component to the willfulness test. Instead it requires only that the alleged infringer receive

written notice from the patentee—(i) alleging acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent, and (ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim, the infringer, after a reasonable opportunity to investigate, thereafter performed one or more of the alleged acts of infringement;¹⁰⁵

The proposed legislation further implies the potential necessity for a separate trial to deal explicitly with willfulness. Note that the usage of a separate proceeding may in and of itself limit the damage caused by the waiver of privilege and immunity, further diminishing the court's decision.¹⁰⁶

Patent reform though does not cover all of the decisions made in *Seagate*, particularly, how to decide the extent of counsel's waiver.

In dealing with waiver of trial counsel privilege and work product immunity, *Seagate* set out to definitively state that the production of an opinion counsel's letter in response to a charge of willful infringement will not waive attorney client privilege for related communications with trial counsel.¹⁰⁷ Further, the court found that the temporal bounds of any waiver would extend only up and to, but not including litigation;

questionable quality.”). Note, many expect the legislation to pass this year: The Intellectual Property Owners Association believes that the patent reform initiative “is very much alive. Despite substantial opposition in the Senate, most observers believe Judiciary Chairman Patrick Leahy (D-Vt.) will attempt to pass the bill in the Senate this year or early next year with substantial amendments.” *Stakeholders Lobby on Patent Reform; Senate Bill Viewed as 'Alive,' but Stalled*, 75 *PAT., TRADEMARK, & COPYRIGHT J.* 58 (Nov. 16, 2007).

104. H. Res. 1908, 110th Cong. § 5(b)(3)(B)(i) (as passed by House of Representatives, Sept. 7, 2007).

105. *Id.* § 5(b)(2).

106. *See id.* at § 5(b)(3)(C)(4).

107. *Seagate*, 497 F.3d at 1374.

opinions obtained after the filing of a complaint of infringement will have limited probative value to the determination of willful infringement.¹⁰⁸ The plaintiff's high bar to proving willfulness includes the fact that willfulness must be objectively provable prior to claiming it. As such, only actions up to the filing of a claim are relevant.¹⁰⁹

In terms of work product immunity, the court, in light of its new willfulness standard concluded

“that the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel. Whereas opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker. And trial counsel is engaged in an adversarial process.”¹¹⁰

Thus, the court emphatically stated that

the same rationale generally limiting waiver of the attorney-client privilege with trial counsel applies with even greater force to so limiting work product waiver because of the nature of the work product doctrine. Protecting lawyers from broad subject matter of work product disclosure “strengthens the adversary process, and . . . may ultimately and ideally further the search for the truth.” In addition, trial counsel's mental processes . . . enjoy the utmost protection from disclosure; a scope of waiver commensurate with the nature of such heightened protection is appropriate.¹¹¹

Adding to its pro-defendant stance, the court, citing the Third Circuit's *In re Cendant Corp.*,¹¹² extended the work product doctrine beyond “documents and tangible things” . . . to “nontangible” work product” as well.¹¹³

Still, the court left open, somewhat cryptically, the possibility that trial counsel's work product immunity and privilege could be waived under some circumstances: “trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel,

108. *Id.*

109. *Id.*

110. *Id.* at 1373.

111. *Id.* at 1375-76 (citations omitted).

112. *In re Cendant Corp. Sec. Litig.*, 343 F.3d 658, 662 (3d Cir. 2003).

113. *Seagate*, 497 F.3d at 1376. “We agree that work product protection remains available to ‘nontangible’ work product under *Hickman*. Otherwise, attorneys’ files would be protected from discovery, but attorneys themselves would have no work product objection to depositions.” *Id.*

such as if a party or counsel engages in chicanery.”¹¹⁴

The Federal Circuit does not have any significant history in defining chicanery, mentioning it only three other times in its entire quarter century of rulings;¹¹⁵ two of those three references refer to the linguistic chicanery of the patent prosecutor—this level of chicanery—suggestive more of “word play” than outright deceit, does not seem to rise to the chicanery typically defined as subterfuge, fraud, or misrepresentation.¹¹⁶ With such a low bar, it seems likely that many cases will rise to the Federal Circuit’s level of chicanery. Moreover, chicanery is only one of the instances that will result in waiver; the court left it to trial courts to decide what other instances will allow for the waiver of privilege and immunity.

Of further concern is the fact that while attorney-client privilege is for the client to waive, the court suggests that the attorney’s conduct alone—i.e., chicanery—could waive this right of the client.¹¹⁷

Of additional interest, and not addressed by the court, is the status

114. *Id.* at 1374-75. Note the court also states that work product immunity is not waived, “absent exceptional circumstances.” *Id.* at 1375. Like chicanery, the court is not clear as to what arises to an exceptional circumstance except with regard to deciding whether to adhere to a decision in a prior appeal. *See, e.g.,* *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983) (citing precedent showing that a court generally adheres to a decision in a prior appeal in the case unless one of three “exceptional circumstances” exists: “the evidence on a subsequent trial was substantially different, controlling authority has since made a contrary decision of the law applicable to such issues, or the decision was clearly erroneous and would work a manifest injustice.”).

115. *DeMarini Sports v. Worth, Inc.*, 239 F.3d 1314, 1334 (Fed. Cir. 2001); *Vehicular Techs. Corp. v. Titan Wheel Int’l, Inc.*, 141 F.3d 1084, 1091 (Fed. Cir. 1998); *Egan v. Dep’t of Navy*, 802 F.2d 1563, 1576 (Fed. Cir. 1986).

116. Other areas of law may shine some light into whether courts discriminate as to the level of chicanery: “A statement containing a half-truth may be as misleading as a statement wholly false. Thus, a statement that contains only favorable matters and omits all reference to unfavorable matters is as much a false representation as if all the facts stated were untrue.” *RESTATEMENT (SECOND) OF TORTS*, § 529a (2007). Contrast this relatively low threshold for misleading the court in a tort situation with a significantly higher threshold for falsehood with regard to perjury: “the perjury statute is not to be loosely construed, nor the statute invoked simply because a wily witness succeeds in derailing the questioner—so long as the witness speaks the literal truth. The burden is on the questioner to pin the witness down to the specific object of the questioner’s inquiry.” *Bronston v. United States*, 409 U.S. 352, 360 (1973) (not finding perjury when Mr. Bronston did not answer a question: “Q. Do you have any bank accounts in Swiss banks, Mr. Bronston? A. No, sir. Q. Have you ever? A. The company had an account there for about six months, in Zürich.” It was later determined that Mr. Bronston did have accounts in Switzerland. *Id.* at 354). Later courts have refused to overrule or close up this perjury loophole.

117. The case law on inadvertent waiver may be relevant here. In *Underwater Storage* the court ruled that the inadvertence of counsel would be imputed to the client. *Underwater Storage, Inc. v. United States Rubber Co.*, 314 F. Supp. 546, 549 (D.D.C. 1970).

and definition of in-house counsel in relation to trial or opinion counsel:¹¹⁸ What if any is the scope of protection for in-house counsel's work product? Is in-house counsel's investigation of infringement sufficient to overcome a charge of willful infringement by a patentee? It will also be interesting to see how future courts, in following the *Seagate* decision deal with instances where trial counsel and opinion counsel are the same, or work within the same firm—often necessary, either to reduce overall attorney fees or to get a comprehensive and cohesive understanding of the technology and the eventual litigation.

Also left unresolved is the issue of the continued use and necessity of opinion letters. It remains unclear as to when an accused infringer may want to obtain an opinion letter. For instance, it would probably behoove a defendant to obtain a letter in an instance where the infringing product closely resembles the plaintiff's patent. In particular, what role, if any, will an opinion letter play in the determination of recklessness—the new objective standard.

Fortunately, none of these issues have been brought up in the handful of cases following *Seagate*, although they will eventually need to be dealt with.

Seagate's solution is too broad: it wholly eliminates any affirmative duty of care on the part of the putative infringer. Here, the Federal Circuit lost its chance to adjust or modulate the burden—allowing it to be easily reinstated when necessary—and instead has chosen to dismiss it entirely. Nonetheless, without this affirmative duty there is arguably little need to get an opinion letter, and without an opinion letter there is no fear that an over-zealous court will ravage trial counsel's privileges and immunities.

But, in contradistinction to this position, it would seem that an affirmative duty is all the more relevant today. With the concept of mutually assured destruction—i.e. building up enormous patent portfolios with the understanding that a patentee plaintiff would be crazy to assert her patent because the defendant could easily turn around and assert his own patent portfolio—driving much of hi-tech and biotech patenting strategies,¹¹⁹ determining whether one actually infringes a patent in a competitor (or non-competitor's) portfolio is non-

118. *Seagate* 497 F.3d at 1366 n.2 (“We do not address the trial court's discovery orders pertaining to *Seagate*'s in-house counsel.”).

119. Chris Oakes, *Patently Absurd*, WIRED (Ma. 3, 2000). See also Lee Hudson Teslik, *Patching up the Patent System* (Mar. 26, 2007), available at http://www.cfr.org/publication/12948/patching_up_the_patent_system.html.

trivial and potentially a prohibitive one for small start-ups. Until *Seagate* the potential threat of willful infringement—particularly for a startup—may have been enough incentive to design around the threatening patent, thereby innovating and further benefiting society. But now, without an affirmative duty to determine whether one is infringing, there is a perverse incentive to return to the pre-Federal Circuit days and begin ignoring patents anew. Moreover, with the new heightened standard of willful infringement, a concomitant lesser chance of paying treble damages and attorney’s fees, there is a further disincentive to avoid infringing patents, even for the larger companies.

It would seem unlikely that the patent system can thrive without some sort of affirmative duty here. Given that the court could have adjusted the duty instead of throwing it out, its actions again seem rash and irresponsible.

Notwithstanding this ruling, trial courts will most likely find some backdoor duty. And opinion letters, because of an actual or threatened resurfacing of affirmative duty, will come back into vogue and new waiver issues will arise—particularly with regard to in-house counsel.

Seagate actually comes off as an ill-timed scramble to rectify too many self-created problems with seemingly simplistic solutions. Willfulness was being dealt with by legislation¹²⁰—now there may be competing rules for dealing with this subject. Moreover, given the new standards devised by the courts, patentees will have to send out relatively expansive cease and desist letters that will allow an infringer the opportunity to seek out a declaratory judgment in a favorable jurisdiction—creating a strong disincentive to send out such letters in the first place and resulting in lesser incentives on the patent infringer to innovate and design around the infringed patent, leading to a discrediting of the patent system and right back where the Federal Circuit started twenty-five years ago with *Underwater Devices*.¹²¹

Further, this decision would suggest that patent holders would do well to seek out preliminary injunctions against infringers to maintain their ability to claim willful infringement.¹²² Unfortunately for the

120. *See supra* text accompanying notes 103-106.

121. This concern is further enhanced by the following recent ruling: *SanDisk Corp. v. STMicroelectronics, Inc.* 480 F.3d 1372 (Fed. Cir. 2007). Note that this decision is also an example of the Federal Circuit swinging too broadly, this time in response to a Supreme Court footnote from *MedImmune v. Genentech*, 127 S. Ct. 764 (2007).

122. *Seagate*, 497 F.3d at 1374 (citation omitted). The court stated that a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. A patentee who

patent holder, post *eBay*, it may be more difficult to obtain such an injunction.¹²³

Succinctly *Seagate* hasn't accomplished much. Throwing out the longstanding affirmative duty of care could lead to a devaluation of patents and too big a shift by the Federal Circuit in favor of defendants.¹²⁴ Opinion letters, it seems, may continue to be important and valued, at least by juries, and the waiver issue remains open, not only in instances of chicanery and exceptional circumstances, but with regard to in-house counsel, and firms that serve as both opinion and trial counsel.¹²⁵

Perhaps these seemingly irrational actions by the Federal Circuit can be better understood through the lens of public choice theory.¹²⁶

Public choice theory, an economic theory developed by Nobel Prize laureate James Buchanan, looks to economic principles that dictate an individual's actions in the market, such as utility and self-interest. These principles are then applied to larger government groups replacing "romantic and illusory . . . notions about the workings of governments [with] . . . notions that embody more skepticism."¹²⁷ Thus, with voters often choosing to ignore most issues, politicians are free to

does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.

Id.

123 *Ebay, Inc. v. Mercexchange, LLC*, 126 S.Ct. 1837, 1841 (2006). Although *eBay* dealt with permanent injunctions which requires the determination of actual success in litigation versus a reasonable likelihood of success for a preliminary injunction, both preliminary and permanent injunctions are based on the same statutory authority emanating from 35 U.S.C. § 283. See *New York v. Shinnecock Indian Nation*, 2007 U.S. Dist. LEXIS 80443, at **345-47 (E.D.N.Y. 2007)

124. Note however that this may balance out in some jurisdictions where there is an obvious bias in favor of the patentee, such as the International Trade Commission or Marshall Texas. See Robert W. Hahn, *Assessing Bias in Patent Infringement Cases: A Review of International Trade Commission Decisions* 15 (AEI-Brookings Joint Center For Reg. Studies Working Paper No. RP07-03), available at <http://ssrn.com/abstract=950583>.

125 This might be particularly relevant to small startups that may not be able to afford multiple teams of attorneys.

126. See Dov Greenbaum, *An Analysis of the Evolution of the Written Description Requirement vis-à-vis DNA and Biotechnological Inventions*, 1 RECENT PATS ON DNA & GENE SEQUENCES 138 (2007).

127. Jane S. Shaw, *Public Choice Theory*, THE CONCISE ENCYCLOPEDIA OF ECONOMICS, <http://www.econlib.org/library/enc/PublicChoiceTheory.html> (citing James Buchanan) (last visited Dec. 26, 2007).

act in ways that are costly to individual citizens; e.g., by logrolling.¹²⁸

Although judiciaries would seemingly lack the same incentives that politicians have to listen to public interest groups, they nonetheless also tend to be captured by the interests of lobbyists. Public choice explains this seeming inconsistency by noting that even judiciaries are strongly inclined to act in the best interests of their stated mission to remain within Congress's favor and retain accesses to funding. This reliance on a congressionally prescribed mission makes the judiciary and agencies appear to be captured to the lobbyists and industries as well.¹²⁹

In the case of the Federal Circuit, it sees its mission as "promoting technological progress by enlarging patent rights" in the interests of the patent holders; and, according to Landes and Posner, this mission-oriented specialized court is "a consequence largely of interest-group politics."¹³⁰

Without real knowledge of the actual mindsets of the Federal Circuit justices we can only speculate as to their motivations. Nevertheless, applying public choice theory, particularly in the context of other recent decisions, we can make some educated guesses. In *Seagate* and other current cases, this Comment suggests that the court was responding to concerns from the hi-tech sector in particular.

Patent trolls, a term coined by Peter Detkin of Intel, typically refers to a person or corporation that while owning intellectual property does not manufacture anything but rather finds revenue in either licensing its IP or asserting its patents through litigation:¹³¹ "[S]omeone who makes money by extorting a license from the manufacturer who allegedly has infringed the patent. Fearing the possibility of an injunction will force the manufacture to cease operations, the company settles."¹³²

Patent trolls are seen as a menace, particularly by the high tech industry—filing lawsuits without warning, seeking license fees, and threatening injunctions. And, consistently, these lawsuits plead willful infringement on the part of the defendant. Given the often centrality of

128. *Id.*

129. Leon Felkins, Introduction to Public Choice, <http://perspicuity.net/sd/pub-choice.html> (last visited Dec. 26, 2007).

130. William M. Landes & Richard A. Posner, THE POLITICAL ECONOMY OF INTELLECTUAL PROPERTY LAW 26-27, available at http://www.aei.org/docLib/20040608_Landes.pdf.

131. See, generally, Patent Trolls: Fact Or Fiction?: Hearing Before the Subcommittee on Courts, the Internet, And Intellectual Property of the H. Comm. on the Judiciary, 109th Cong. (2006).

132. *Id.* at 1.

the purportedly infringed intellectual property to the defendant's business, the defendant will most likely continue to 'infringe' throughout the case. With the significant expenses involved in litigation, many defendants would rather settle.¹³³

Seagate, it would seem, as well as other recent cases, would reflect the Federal Circuit's directed response to patent trolls, particularly in response to concerns from the hi-tech sector. The biotech sector—with relatively fewer patents in their portfolios and with generic competitors that often do actually willfully infringe—may see less of a benefit coming out of the *Seagate* decision.¹³⁴

Over the last couple of decades technology companies have been amassing large arsenals of patents, not generally to assert against their competitors, but rather as a defensive tool in an ongoing game of brinkmanship: no large company would dare assert a patent against their competitor, as that competitor could easily find a patent in their own portfolio that they use in a return salvo on the plaintiff. This situation was often compared to the mutually assured destruction scenario of the Cold War.¹³⁵

In recent years Patent Trolls, principally in the hi-tech industry, have upset this delicate balance; in 2007 alone, trolls have been primarily responsible for the projected thirty percent increase in litigants sued for patent infringement.¹³⁶ Buying up large patent portfolios and asserting them against large and wealthy corporations, these trolls have made a business model out of threats of expensive litigation. The mutually assured destruction model of yore will not work against these guerilla tactics; without a manufacturing base, trolls have little to lose by threats of counter attacks from their opponents.

133 *Id.* at 21 (statement of Paul Misener). The “multi-million dollar barrier to even challenge patent validity or infringement (and then only to a jury that is unlikely to understand the technology) provides huge troll shakedown-settlement opportunities by contingent fee tort lawyers which are rapidly being increasingly exploited.” Posting of Paul Morgan, Guest Commentary on Why Patent Reform Needed to Patent Troll Tracker http://trolltracker.blogspot.com/2007_11_01_archive.html (Nov. 28, 2007).

134. See Jeremiah S. Helm, Comment, *Why Pharmaceutical Firms Support Patent Trolls: The Disparate Impact of Ebay v. Mercexchange on Innovation* 13 MICH. TELECOMM. TECH. L. REV. 331, 338-43 (2006), for a theory as to why biotech and pharmaceutical companies support patent trolls.

135 See *supra* text accompanying note 119. See also Col. Alan J. Parrington, USAF, *Mutually Assured Destruction Revisited Strategic Doctrine in Question*, AIRPOWER J Winter 1997), at 4, 6.

136. Posting A Call for the Senate to Pass Patent Reform to Patent Troll Tracker http://trolltracker.blogspot.com/2007_11_01_archive.html (Nov. 9, 2007).

Seagate can be seen as an effort to fix many of the problems encountered in these instances by the high tech companies.

The setting of a high objective bar to finding an instance of willful infringement can be seen as a direct attack on trolls. A finding of willful infringement and the concomitant treble damages is part of what makes patent litigation so rewarding and enticing to trolls. The bar now makes it more expensive for a troll to assert willful infringement, requiring actual proof of willfulness prior to making the claim, and it makes it less likely that an unsuspecting non-malicious defendant will be found to have objectively willfully infringed.¹³⁷

Further, throwing out the duty of affirmative care makes it much easier for large corporations to exist in the face of a vast and virtually unknowable array of patents and submarine patents that could be asserted against them at anytime. Note that the loss of the affirmative duty of care would probably not affect the epic battles between massive patent portfolios that essentially ignored the duty of care from the outset, replacing it with assurances that “no matter what you assert against me, I can assert something against you.”

Until *Seagate*, companies would be held liable for willful infringement if they kept up infringing production during the case. *Seagate* negates this by ruling that the basis for willful infringement must occur prior to litigation; corporations are safe to continue production without fear of increased damages.¹³⁸

Seagate, by limiting the instances where waiver would occur as a result of an opinion letter—the first and cheapest line of defense against a threatening troll—limits the ability of trolls, who may not have the best counsel, to unfairly garnish information from defendant’s counsel.¹³⁹ Further, the risk and costs of additional litigation dealing with the extant and scope of the waiver, a perennial issue in many cases, could be used by the trolls as a further form of intimidation—forcing companies to settle rather than to go through protracted and potentially revealing litigation.

Finally, limiting waiver instances mostly to where chicanery has occurred will further hamper a troll’s effort to intimidate. An assertion of chicanery by a troll may be a dangerous move: given the inherent hypocrisy in a troll raising the claim if chicanery, such a claim could raise the ire of the court.

137. See *supra* text accompanying note 103.

138. See *supra* text accompanying note 102.

139. See *supra* text accompanying note 113.

These assertions of a direct attack on trolls by the Federal Circuit are not founded on the *Seagate* decision alone. More recent case law would also suggest this direction by the Federal Circuit. On September 20, 2007 the court issued two simultaneous rulings that reduced the scope of patentable inventions: *In re Comiskey*¹⁴⁰ and *In re Nuijten*¹⁴¹ both try to cabin what can be patentable under the rubric of a business method patent. Business method patents have become a growing concern for those that are threatened by trolls. “The PTO has issued thousands of [business method] patents . . . littering the business landscape with land mines for unsuspecting companies and their CIOs.”¹⁴²

Patent trolls holding an inventory of business method patents pose a particular risk to modern day businesses. . . . [A]lmost any business is susceptible to an attack by a patent troll.

Business method patents are also very difficult to invalidate based on what was known at the time of the patent application even for inventions that feel like they have been around forever, it may be very hard to find the proof needed to prove the patent invalid in court.¹⁴³

The court in *In re Comiskey*, where the litigant tried to patent a method of arbitrating, limited the scope of business methods patents, noting that patents cannot “be issued on particular business systems—such as a particular type of arbitration—that depend entirely on the use of mental processes. . . . [T]he law does not allow patents on particular systems that depend for their operation on human intelligence alone.”¹⁴⁴ The court further ruled that the trivial association of the unpatentable

140. *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007).

141. *In re Nuijten*, 500 F.3d 1346 (2007).

142. Rob Garretson, *Intellectual Security: Patent Everything You Do, Before Someone Else Does*, at http://www.ciainsight.com/print_article2/0,1217,a=167502,00.asp (Dec. 5, 2005) (last visited Dec. 26, 2007).

Congress can further reduce the power of the patent troll by enacting legislation to that effect. Some potential reforms that Congress may adopt in an effort to reduce the power of patent trolls include improving the review of business- method patents, weakening the presumption of validity for business- method patents, eliminating the submarine patent, and providing that a court consider the patent troll's actual contribution to the overall product or service when determining the extent of monetary or equitable relief.

Damian Myers, Note, *Reeling In The Patent Troll: Was Ebay v. Mercexchange Enough?*, 14 J. INTELL. PROP. L. 333, 348-49 (2007).

143 Sarah Chapin Columbia & Stacy L. Blasberg, *Beware Patent Trolls*, RISK MANAGEMENT, Apr. 2006, at 22, 24.

144. *In re Comiskey*, 499 F.3d at 1378.

mental process with a machine will still not make the claim patentable.¹⁴⁵

Similarly in *In re Nuijten*, where the claim was for a signal containing a watermark, the court further limited the scope of business method patents.¹⁴⁶ “If a claim covers material not found in any of the four statutory categories, that claim falls outside the plainly expressed scope of § 101 even if the subject matter is otherwise new and useful.”¹⁴⁷

The details of the cases are beyond the scope of this Comment. Suffice it to say it seems like the court, following in the footsteps of *Seagate’s* attack on trolls on behalf of the high tech industry was further raining on the troll parade by reigning in the scope of patentable subject matter, particularly in the areas often frequented by patent trolls in their litigations against high technology companies.¹⁴⁸

Without actual discussion with the Federal Circuit, it remains uncertain whether any of the above is the actual reasoning behind *Seagate’s* expansive and potentially unnecessary ruling. In light of this, the final section of this Comment will look to alternatives that the Federal Circuit might have chosen and could still apply to deal with some of the aforementioned issues.

VII. POLICY OPTIONS

As noted earlier, there may continue to be a need for opinion letters in patent litigation.

The whole question should have been moot after *Knorr Bremse*.¹⁴⁹ Given the potential damage that waiver might cause, why would a defendant ever assert an opinion of counsel defense? Unfortunately, statistics show that without an opinion of counsel defense, a defendant will more often than not be found to have willfully infringed.¹⁵⁰ This

145. *Id.* at 1380. Note that like *Seagate*, the court dealt with the issue of patentable subject matter *sua sponte*; it was not at issue either during the prosecution of the patent or on appeal.

146. *In re Nuijten*, 500 F.3d at 1348.

147. *Id.* at 1354.

148. Note interestingly historical similarities to early instances of opportunistic patent litigation: “In the nineteenth century, Congress eliminated this risk by wiping out the patents that were fueling opportunistic litigation. This suggests that abolition may be the only solution for modern trolls, at least with respect to patents for business methods and software.” Gerard N. Magliocca, *Blackberries And Barnyards: Patent Trolls And The Perils Of Innovation*, 82 NOTRE DAME L. REV. 1809, 1813 (2007).

149. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2004) (“[An] adverse inference that an opinion of counsel was or would have been unfavorable . . . is no longer warranted.”).

150. Moore, *supra* note 70, at 239.

may remain to be the case even after *Seagate* given the uncertainties introduced by juries who may become suspicious if an opinion of counsel is not produced at trial.

Of greatest concern are the chilling effects on trial counsel's interactions with the defendant when much of their privileged discussions could come to light during discovery. Without a clear definition of what would amount to an exceptional circumstance, or even chicanery, there still exists a concern that a trial court will waive trial counsel's privilege and immunity.

It is unlikely that risk adverse corporations will, in response to *Seagate*, desist from obtaining opinion letters as absent a clearly erroneous decision, the Federal Circuit is unlikely to overrule a finding of willfulness by the trial courts.¹⁵¹ And, without a clearer definition of the newly created standards in *Seagate*, trial courts could potentially be all over the map in determining willfulness. With this uncertainty, potential infringers may continue to look to trial counsel for their opinions—creating further instances where trial counsel may have their privileges and immunities waived.

A. Bifurcation of Trials

The obvious choice for limiting the effects of waiver, and hinted to in the *Seagate* decision is the bifurcation of trials.¹⁵² This involves separating out the determination of willfulness after the court has determined that infringement has taken place, thus limiting any damage caused by waiver to the second, less important half of the case.¹⁵³ Often this would also mean staying discovery of evidence related to willfulness.¹⁵⁴ Practically, this does not seem to be a viable option. Most

151. *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508,510 (Fed. Cir. 1990) (“Whether infringement is willful is a question of fact, findings on which are reviewable under the clearly erroneous standard of Rule 52(a), Fed.R.Civ.P.”).

152. *See, e.g., Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed Cir. 1991) (suggesting that “[t]rial courts thus should give serious consideration to a separate trial on willfulness[.]” particularly when faced with issues of waiver). Note, however, that while “[t]he decision to bifurcate a trial rests within the sound discretion of the trial court . . . [and that] bifurcation of trials is not unusual and may under appropriate circumstances be the preferred method, [nevertheless,] bifurcation remains the exception rather than the rule.” *Novartis Pharms. Corp. v. Apotex Corp.*, No. 02 CIV. 8917, 2004 U.S. Dist. LEXIS 11382, at *4-5 (S.D.N.Y. June 18, 2004) (citation omitted).

153. “The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim . . . or of any separate issue . . .” FED. R. CIV. P. 42(b).

154. Courts have been even more unwilling to stay discovery. *See, e.g., Johns Hopkins*

cases end up not being bifurcated,¹⁵⁵ and (anecdotally) most motions for bifurcation are refused,¹⁵⁶ possibly due to the perceived expense and time constraints involved in holding a second jury trial.¹⁵⁷ It is unclear if this will change following *Seagate*.

B. Minimize the Offensive Use of Willfulness

One way to deal with the waiver issue is to lessen the chance that

Univ. v. CellPro, 160 F.R.D. 30, 36 (D. Del. 1995)

It is understandable that those involved in patent litigation would want to minimize the risk of harm from this problem and would look to the Rules of Civil Procedure for possible solutions. . . .

. . . [S]taying discovery on the advice of counsel defense and ordering a separate trial on willfulness or damages is not a particularly efficient or effective solution. Staying discovery on communications relating to the advice of counsel until after liability has been established builds difficult delays and complications into the case. . . . [I]t precludes the possibility of granting a summary judgment on the willfulness claim It assumes that following a decision on liability and damages the court will need to suspend the trial and establish a new schedule under Rule 16 for completion of discovery on willfulness. The court would then need to hold a second pretrial conference and enter a second pretrial order with an identification of documents to be offered into evidence and witnesses to be called to testify on the willfulness issues. Thereafter, the court would recall the jury and hold a second trial.

This stop-and-start of a stay of discovery and separate trials undermines our goal of working to apply the Rules of Civil Procedure to obtain a just, speedy and inexpensive resolution of every action. *See* Fed. R. Civ. P. 1. It is not in the interests of justice to make these adjustments to our procedures for litigating cases to solve this problem.

Id.

155. *See, e.g.,* *Willemijn Houdstermaatschaap BV v. Apollo Computer, Inc.*, 707 F. Supp. 1429, 1434-35 (D. Del. 1989) (“[C]ourts are less likely to grant bifurcation when the issues to be decided are not particularly complex” and that “[t]he burden of showing a significant risk of confusion is on the party requesting bifurcation.”). *See also* *Calmar, Inc. v. Emson Research, Inc.*, 850 F. Supp. 861, 866 (C.D. Cal. 1994) (denying a motion for bifurcation, noting that “[b]ifurcation of the issue of willfulness and a stay of discovery would only complicate the instant proceedings and cause needless delay”).

156. The anecdotal evidence implies that courts rarely bifurcate. The reality actually demonstrates otherwise: “The issue of willfulness was bifurcated in 48.6% of the bench trials and 21.7% of the jury trials” between 1999 and 2000. Moore, *supra* note 70, at 235 (further noting that bifurcating a trial can also, counter intuitively, save time and money). Nevertheless, one reason that bifurcation is not as popular as it seems is that “when bifurcation is granted, it is bifurcation of the trials only, not bifurcation of discovery.” *Id.* at 236. Thus, opposing counsel still retains access to potentially privileged discussion and documents throughout the trial.

157. Note, however, that a jury trial is not required. *See* John B. Pegram, *The Willful Patent Infringement Dilemma and the 7th Amendment*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 271, 272 (2004) (suggesting that the Seventh Amendment requirement for a jury trial does not apply to the determination of willful infringement once a determination of infringement has already occurred).

waiver will ever arise during trial by minimizing or removing the possibility of a willful infringement offense. A claim of willful infringement is made in almost every patent suit,¹⁵⁸ and as long as it is relatively risk free to do so, patentees will probably continue to make the claim.

In addition to the potential chilling effects on innovation resulting from the current status of the law regarding willful infringement, there is also a growing concern that the possibility of collecting compensation for attorneys' fees has inflated those fees.¹⁵⁹ In fact many lawyers now consider willful infringement as the main cost component in a suit.¹⁶⁰ With the continued uncertainty of being found willfully infringing, businesses can never accurately determine whether it would be economically efficient to infringe, an unfortunate necessity.¹⁶¹

1. Removing Willfulness

The Federal Trade Commission noted that some scholars recommended abolishing the doctrine and recommended that it at least be reigned in.¹⁶² Similarly, the NAS Report also suggested that the doctrine be either abolished entirely or severely curtailed:¹⁶³ “there has been no empirical demonstration that the availability of enhanced damages provides substantial additional deterrence over and above that associated with the usual costs and risks of defending an infringement claim.”¹⁶⁴ Notwithstanding these opinions, there are valid concerns that the abolishment of the willful infringement doctrine will create perverse disincentives for infringers to take a license, or to license immediately, as opposed to licensing the patent only after one loses the lawsuit.¹⁶⁵

158. Moore, *supra* note 70, at 232 (finding alleged *willful* infringement in 92.3% of approximately 1700 patent infringement lawsuits). Moore reinforces the concern that infringement is claimed somewhat frivolously, noting that typically willful infringement is claimed in all the individual patents at issue in patent litigation. *Id.*

159. *See, e.g., id.* at 227 n.3 (noting an award of attorneys' fees of \$5,044,140.40 in *Precor Inc. v. Life Fitness*, an amount slightly less than the actual value of the infringement).

160. NAS Report, *supra* note 54 (citing an AIPLA report at 123).

161. Note that this may not be a bad thing. The law never considers infringement to be good.

162. FEDERAL TRADE COMMISSION AND US DEPARTMENT OF JUSTICE, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 242 (Oct. 2003), available at <http://www.ftc.gov/os/2003/10/innovationrpt.pdf>.

163. NAS Report, *supra* note 54, at 7.

164. *Id.* at 119.

165. This position has been described as “heads-I-win, tails-you-lose.” *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1158 (6th Cir. 1978).

Creating criminal liability for infringement, as is the case in other major patent offices, may minimize these incentives.¹⁶⁶ Alternatively, a judge could decrease liability in cases where someone is merely negligent as opposed to willful.¹⁶⁷ Note that this direction will also help repair a schism between patent law and the rest of American law¹⁶⁸ by removing the ability of courts to find willfulness in even negligent infringement.¹⁶⁹

2. Disincentivizing the Usage of Willfulness

Willfulness will probably continue to be asserted in patent infringement cases: Limiting the type of infringers that could be found to be willfully infringing, or limiting the most egregious damage awards to actual pirates, and applying a lesser punishment to independent inventors of the infringing product, may limit the usage of willful infringement.¹⁷⁰ Alternatively, Congress could legislate independent invention as an affirmative defense to infringement.

While the independent invention defense has not gotten much traction in American patent law reform, it does exist in some other jurisdictions.¹⁷¹ Such a defense may help improve patent quality¹⁷² and

166. See, e.g., Norio Komuro, *Japan's Patent Law Amendment on Remedies against Patent Infringement*, 1 J. WORLD INTELL. PROP. 263, 263 (1998); *Patent Litigation in China*, http://www.ladas.com/Litigation/ForeignPatentLitigation/ChinaPR_Patent_Litigation.html (last visited Dec. 26, 2007).

167. See, e.g., Germany.

168. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1351 n.88 (Dyk, J., concurring-in-part and dissenting-in-part) (citation omitted).

Patent law is not an island separated from the main body of American jurisprudence. The same requirement of reprehensibility restricts an award of enhanced damages in patent cases as in other cases. When an infringer merely fails to exercise his supposed duty of care, there are none of the circumstances ordinarily associated with egregiously improper conduct that could be sufficiently reprehensible to warrant imposition of punitive damages.

Id.

169. See generally Stephanie Pall, Note, *Willful Patent Infringement: Theoretically Sound? A Proposal To Restore Willful Infringement to its Proper Place Within Patent Law*, 2006 U. ILL. L. REV. 659, 659 (2006).

170. This is currently the case in other forms of intellectual property including copyright and trade secret. See, e.g., Stephen M. Maurer & Suzanne Scotchmer, *The Independent Invention Defense in Intellectual Property*, 69 *ECONOMICA* 535, 535 (2002). In addition to lessening the usage of willfulness as an offense, the threat of entry to the market by an independent inventor would create an inducement for the patentee to license the technology, which, in turn, would lower the market price of the invention. *Id.*

171. Germany has such a defense called *Vorbenutzungsrecht*, although it carries somewhat limited rights. German Patent Act §12.1 See also Samson Vermont, *Independent Invention as a Defense to Patent Infringement*, 105 *MICH. L. REV.* 475 (2006).

would also reduce the wasting of resources that occurs when firms run duplicate and parallel research and development operations in a patent race.¹⁷³

While there are some problems with this defense,¹⁷⁴ and the defense may be hard to prove, it could piggyback on the methods for determining the first to invent and in copyright where independent creation is a defense to infringement.

3. Disincentivizing Willful Infringement

The threat of a permanent injunction against egregious, willful infringement would force many of the putative infringers to license rather than going to trial.¹⁷⁵ However, the recent *eBay* ruling may limit the applicability of this option.¹⁷⁶ After *eBay*, plaintiffs can no longer be certain that a court will grant a permanent injunction against an infringer, who, without the threat of a finding of willful infringement, may continue to infringe until a final court decision disallowing it.

C. Redefining the Privileged Nature of an Opinion Letter

Defendants might think about asserting that the production of an opinion letter ought not be considered a waiver of privilege; it does not relate to the information that privilege is designed to protect. The touchstone of the privilege is that of an expectation of confidentiality.¹⁷⁷ But as recent articles and cases have pointed out, the opinion letter is now a component of the business practice, even a game between

172. Obvious inventions will not be patented since there may be many others who independently invented, and the potential for significant royalties from the initial obvious invention would thereby be limited. *See, e.g.*, Jackson Lenford, Right to Create, <http://righttcreate.blogspot.com/2005/11/independent-invention-defense.html> (Nov. 4, 2005 11:22).

173. *See id.*

174. An obvious example is the drug development pipeline, where one inventor can go through hundreds of potential hits before arriving at the drug, while a second can serendipitously arrive at the drug much sooner.

175. *See* Harold A. Borland, *The Affirmative Duty To Exercise Due Care In Willful Patent Infringement Cases: We Still Want It*, 6 HOUS. BUS. & TAX L.J. 175, 186-87 (2005).

176. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841 (2006) (“The decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”).

177. “It is vital to a claim of privilege that the communications between client and attorney were made in confidence and have been maintained in confidence.” *In re Horowitz*, 482 F.2d 72, 82 (2nd Cir. 1973) (requiring the court to be persuaded that documents are intended to remain confidential).

litigants;¹⁷⁸ it is created and produced principally to show the adversarial party, if the patent was ever to be litigated, that infringement was not willful.¹⁷⁹ To say that such a document, designed primarily to be used as an exhibit in trial and often not representing a legitimate opinion,¹⁸⁰ would destroy attorney-client privilege by its divulgence seems to be unjustifiable, unfair, and illogical. Privilege never attached to the document,¹⁸¹ so how could it destroy privilege for privileged documents and discussion?¹⁸² Nevertheless, courts, focused on theoretical, rigid,

178. See *Mosel Vitelic Corp. v. Micron Tech., Inc.*, 162 F. Supp. 2d 307, 312 (D. Del. 2000) (explaining that there is a legitimate concern that

patent attorneys [are encouraged] to deliberately omit damaging information from their opinion letters in order to insulate their clients from a finding of *willful* infringement. Furthermore, because both attorney and client know why the advice of counsel is being sought, their relationship has the potential to be premised upon the understanding (whether explicit or implicit) that only favorable information should be disclosed.

(emphasis added)). Compare Geoffrey Shippesides, *Advocacy or Counsel: The Continuing Dual Role of Written Infringement Opinion Letters and the Failure of Knorr-Bremse to Confine the Role of Patent Attorneys Issuing Written Infringement Opinion Letters*, 18 GEO. J. LEGAL ETHICS 1069, 1070 (2005)

These infringement opinion letters ostensibly have the purpose of giving the potential infringer advice as to whether they are infringing the patent in question. The infringement opinion has the second potential use of being produced as evidence at trial of the potential infringer's state of mind for the determination of *willful* infringement. Patent attorneys, aware of this possible evidentiary use of infringement opinion letters, know that the letter is also the place to advocate for their client's position of non-infringement.

Id. (emphasis added), with *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) (the Federal Circuit expects from an opinion letter, requiring that the "opinion must be thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable."). See also *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1572-73 (Fed. Cir. 1996) (noting the "affirmative duty of due care that normally requires the potential infringer to obtain competent legal advice before infringing or continuing to infringe. The emphasis here must be on competent legal advice. . . . If infringers could rely on any opinion to defeat *willful* infringement, no matter how incompetent, insulation from increased damages would be complete") (emphasis added) (citations omitted).

179. Lemley & Tangri, *supra* note 53, at 1104 ("Opinions of counsel, in short, aren't unvarnished legal advice. They exist for show.")

180. "[A]ccused infringers who are aware of these rules respond to such letters by obtaining a sort of pseudo-legal advice that both they and their attorneys recognize to be a construct. Both plaintiffs and defendants are playing a costly game." *Id.* at 1087.

181. "For the attorney-client privilege to attach to a communication, it must have been made in confidence and for the purpose of securing or conveying legal advice. The privilege evaporates the moment that confidentiality ceases to exist." *XYZ Corp. v. United States*, 348 F.3d 16, 23 (1st Cir. 2003) (citation omitted).

182. Alternatively, the Ninth Circuit ruled that "a party does not waive the attorney-client privilege for documents which he is *compelled* to produce." *Transamerica Computer*

and absolute notions of fairness and the potential to use privilege as both a sword and shield, might not allow this claim.¹⁸³

D. Selective Waiver

An alternative is the creation of a selective waiver doctrine for an opinion of counsel defense.¹⁸⁴ Selective waiver is usually associated with disclosure of privileged documents and information to government agencies, e.g., waiver of information to the SEC does not waive privilege.¹⁸⁵

The Eighth Circuit ruled in *Diversified Industries Inc. v. Meredith*¹⁸⁶ that “voluntary surrender of privileged material to a governmental agency in obedience to an agency subpoena [does not] constitute[] a waiver of the privilege for all purposes,”¹⁸⁷ noting in particular a fear that interpreting such disclosure to be a waiver “may have the effect of thwarting the developing procedure of corporations to employ independent outside counsel to investigate and advise them.”¹⁸⁸ While

Co. v. IBM, 573 F.2d 646, 651 (9th Cir. 1978) (emphasis in original). Thus disclosure of the letter may not waive the rest of the privilege.

183. See, e.g., *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, No. 04-84-GFVT, 2006 U.S. Dist. LEXIS 40612, at *20 (E.D. Ky. June 15, 2006) (noting that an opinion letter “was a privileged communication to SCC, irrespective of the fact that SCC is now trying to label the Blakey Letter as a non-privileged communication. A rose by any other name smells the same.”). *Static Control* can be distinguished, however, from the idea presented above: in *Static Control* the defendant claimed the document was unprivileged as it was not prepared as an opinion letter. I argue that even if it was prepared by an attorney as an opinion letter, it ought not to be perceived as privileged.

184. *Diversified Indus. v. Meredith*, 572 F.2d 596, 604 (8th Cir. 1977). While selective waiver seems to be generally disliked by many circuits, see, e.g. *In re John Doe Corp.*, 675 F.2d 482 (2d Cir. 1982) and *Tenn. Laborers Health & Welfare Fund v. Columbia/Hca Healthcare Corp.* (in *Re Columbia/Hca Healthcare Corp. Billing Practices Litig.*), 293 F.3d 289 (6th Cir. 2002). Patent law does have its own inconsistent degree of selectiveness in applying waiver and loss of immunity. Courts typically cabin the waiver in terms of time and subject matter.

185. The case of selective waiver is somewhat confusing. See, e.g., *In re Columbia/HCA Healthcare Corp. Billing Pracs. Litig.*, 293 F.3d 289, 294-95 (6th Cir. 2002).

[T]he case law addressing the issue of limited waiver is in a state of hopeless confusion. Indeed, . . . some courts have even taken internally inconsistent opinions.

A review of the positions presented by the various courts reveals three general opinions on the issue—selective waiver is permissible, selective waiver is not permissible under any situations, and selective waiver is permissible in situations where the Government agrees to a confidentiality order.

Id. (citations omitted).

186. 572 F.2d 596 (8th Cir. 1977) (en banc).

187. *Id.* at 604 n.1.

188. *Id.* at 611.

most if not all other circuit courts have refused to recognize selective waiver,¹⁸⁹ one could make the case for allowing it in this particular situation.¹⁹⁰ Instead of framing the selectiveness of the waiver as only a waiver to a third party, perhaps the Federal Circuit can see this waiver as a very narrow subject matter waiver, that of only (but all) opinion letters referencing the opinion of counsel as to non-infringement.¹⁹¹

The Federal Circuit in discussing selective waiver noted that it “has never recognized such a limited waiver,”¹⁹² and other circuits are loathe to allow the tactical use of waiver, noting that because the incorporation of a waiver into the litigation process “inhibits the truth-finding process, it has been narrowly construed, and courts have been vigilant to prevent litigants from converting the privilege into a tool for selective disclosure.”¹⁹³

Selective waiver should be all the more relevant in instances where there is the potential for waiver of the work product doctrine. The District of Columbia Circuit in particular noted that

the work product privilege does not exist to protect a confidential relationship, but rather to promote the adversary system by safeguarding the fruits of an attorney’s trial

189. *See, e.g.*, *United States v. Mass. Inst. of Tech.*, 129 F.3d 681, 685 (1st Cir. 1997) (criticizing the Eighth Circuit for not giving this decision more than “a paragraph of analysis”). *See also In re Columbia Healthcare*, 293 F.3d at 302 (where the United States Court of Appeals for the Sixth Circuit “reject[s] the concept of selective waiver, in any of its various forms”); *Genentech, Inc. v. United States Int’l Trade Comm’n*, 122 F.3d 1409, 1417 (Fed. Cir. 1997); *In re Steinhardt Partners, L.P.*, 9 F.3d 230, 235 (2d Cir. 1993); *Westinghouse Elec. Corp. v. Republic of Philippines*, 951 F.2d 1414, 1424 (3d Cir. 1991); *In re Martin Marietta Corp.*, 856 F.2d 619, 623-24 (4th Cir. 1988); *Permian Corp. v. United States*, 665 F.2d 1214, 1220-21 (D.C. Cir. 1981).

190. *See, e.g.*, *Tenn. Laborers Health & Welfare Fund v. Columbia/Hca Healthcare Corp.* (in *Re Columbia/Hca Healthcare Corp. Billing Practices Litig.*), 293 F.3d 289, 295 (6th Cir. 2002) (acknowledging the split of opinions regarding selective waiver: “the case law addressing the issue of limited waiver is in a state of hopeless confusion. Indeed, some courts have even taken internally inconsistent opinions”).

191. The disclosure of one opinion letter would force the waiver of all opinion letters, thus limiting the ability of the defendant to disclose only those opinions favorable to her position, but nevertheless preventing the disclosure of trial counsel privileged documents and discussions.

192. *Genentech*, 122 F.3d at 1417.

193. *Permian*, 665 F.2d at 1221 (citation omitted) (noting that the attorney-client privilege is not designed for such tactical employment). *See also* the D.C. Circuit’s follow-up opinion, *In re Subpoenas Duces Tecum*, 738 F.2d 1367, 1370 (D.C. Cir. 1984) (“A client cannot waive . . . [the] privilege in circumstances where disclosure might be beneficial while maintaining it in other circumstances where nondisclosure would be beneficial. . . . [T]he attorney-client privilege should be available only at the traditional price: a litigant who wishes to assert confidentiality must maintain genuine confidentiality.”) (citation omitted).

preparation from the discovery attempts of an opponent. A disclosure made in the pursuit of such trial preparation, and not inconsistent with maintaining secrecy against opponents, should be allowed without waiver of the privilege.¹⁹⁴

The courts' acceptance of this selective waiver may hinge on how they view privilege. Are privilege and immunity principally impediments to truth finding, or is their promotion of unfettered discussion between client and attorney of primary importance? I would argue the latter.¹⁹⁵ Additionally, and particularly in the present case, the calculus of the courts with regard to waiver—that waiver implies that the privilege incentive was never necessary—¹⁹⁶ would not apply; without producing an opinion of counsel letter, the litigant is likely to lose.¹⁹⁷

CONCLUSION

It's all a game until someone gets hurt. Given the true nature of willfulness as an offensive tactic, and of the opinion of counsel letter as a defense to this tactic, it is hard to understand how courts in an adversarial system can so flippantly waive privilege and immunity. Moreover, contrary to all precedential rulings, an opinion of counsel will probably remain an important component of the defense against willful infringement for the foreseeable future.

With the continued uncertainty whether the divulgence of an opinion of counsel could waive a broad range of trial counsel's privilege and immunities, there are concerns of a chilling effect on important

194. *In re Subpoena Duces Tecum*, 738 F.2d at 1371 (emphasis omitted).

195. *In re Columbia/HCA Healthcare Corp. Billing Pracs. Litig.*, 293 F.3d 289, 309 (6th Cir. 2002) (Boggs, J., dissenting)

[T]he calculation is that the attorney-client privilege improves the adversarial process without a net loss in the amount of information produced. Insofar as the existence of the privilege creates the communication sought, the exclusion of privileged information conceals no probative evidence that would otherwise exist without the privilege. The absence of the communication would leave the adversarial process with no more information and with counsel less able to present focused arguments to the courts.

Id.

196. "If clients themselves divulge such information to third parties, chances are that they would also have divulged it to their attorneys, even without the protection of the privilege. Thus, once a client has revealed privileged information to a third party, the basic justification for the privilege no longer applies." *Westinghouse Electronic Corp. v. Republic of Philippines* 951 F.2d 1414, 1424 (3d Cir. 1991) (quoting Comment, *Stuffing the Rabbit Back into the Hat: Limited Waiver of the Attorney-Client Privilege in an Administrative Agency Investigation*, 130 U. PA. L. REV. 1198, 1207 (1982)).

197. See Moore, *supra* note 70.

disclosures and discussions between the defendant and trial counsel as litigants continue to develop more elaborate ruses to prevent the disclosure of information subsequent to waiver.

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