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In re Seagate Technology, LLC 497 F.3D 1360 (FED. CIR. 2007)

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I. INTRODUCTION

In *In re Seagate Technology, LLC*, Seagate petitioned for a writ of mandamus directing the United States District Court for the Southern District of New York to vacate its orders compelling disclosure of materials and testimony related to Seagate's trial preparation, which Seagate claimed was protected by attorney-client privilege and work product protection.[1] The district court ruled that Seagate waived any attorney-client privilege, including any privilege between Seagate and its independent trial counsel, when it invoked the reliance on counsel defense to willful patent infringement.[2] The United States Court of Appeals, Federal Circuit, granted Seagate's writ and held that the scope of waiver of attorney-client privilege and work product protection that results from an asserted advice of counsel defense to a charge of willful infringement does not extend to the communications or work product of trial counsel.[3]

II. BACKGROUND

Convolve, Inc. and the Massachusetts Institute of Technology (collectively "Convolve") brought suit against Seagate alleging willful infringement of U.S. Patent Nos. 4,916,635 ('635) and 5,638,267 ('267), and infringement of Patent No. 6,314,473 ('473).[4]

1. *In re* Seagate Tech., LLC, 497 F.3d 1360, 1365 (Fed. Cir. 2007).
2. *Id.* at 1366.
3. *Id.* at 1374, 1376.
4. *Id.* at 1366.

Prior to the lawsuit, Seagate retained Gerald Sekimura to evaluate Convolve's patents and prepare written opinions on them.[5] The first of three opinions was received on July 24, 2000, and analyzed the '635 and '267 patents as well as Convolve's pending International Application WO 99/45535, which claimed technology similar to the pending '473 patent.[6] The opinion concluded that many claims were invalid and that Seagate's products did not infringe.[7] On December 29, 2000, Sekimura provided an updated opinion in which he concluded that the '267 patent was possibly unenforceable.[8] Both opinions noted that not all claims had been reviewed and that further analysis should be performed regarding the '535 application, preferably after the patent issued.[9] On February 21, 2003, Seagate received the third opinion, which concerned the validity and infringement of the issued '473 patent.[10] It was undisputed that Seagate's opinion counsel operated independently of its trial counsel at all times.[11]

In early 2003, Seagate notified Convolve of its intent to rely on Sekimura's three opinion letters as a defense to the alleged willful infringement, and it disclosed Sekimura's work product and made him available for deposition.[12] Convolve moved to compel discovery of any communications and work product of Seagate's trial counsel, and the United States District Court for the Southern District of New York held that Seagate waived the attorney-client privilege for all communications between it and any counsel, including its trial and in-house counsel, concerning the subject matter of Sekimura's opinions.[13] Further, the district court held that the waiver began when Seagate first gained knowledge of the patents and would last until the alleged infringement ceased.[14] The district court ordered the production of any requested documents and testimony concerning the subject matter of Sekimura's

5. *Id.*
6. *Id.*
7. *Seagate*, 497 F.3d at 1366.
8. *Id.*
9. *Id.*
10. *Id.*
11. *Id.*
12. *Id.*
13. *Seagate*, 497 F.3d at 1366.
14. *Id.* at 1366-67.

opinions.[15] The district court provided for *in camera* review of documents relating to trial strategy, but allowed disclosure of any document which would undermine the reasonableness of relying on Sekimura's opinions.[16] The district court also determined that Seagate had waived the protection of any work product which had been communicated to it.[17]

Convolve sought production of trial counsel opinions relating to infringement, invalidity, and enforceability of the patents, and also noticed depositions of Seagate's trial counsel.[18] The district court denied Seagate's motion for a stay and certification of an interlocutory appeal, after which Seagate petitioned for a writ of mandamus.[19] The United States Court of Appeals, Federal Circuit, stayed the discovery orders and ordered en banc review of the following questions:

> (1) Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel?
> (2) What is the effect of any such waver on work product immunity?
> (3) Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.* on the issue of waiver of attorney-client privilege, should [the] court reconsider the decision in *Underwater Devices* and the duty of care standard itself?[20]

III. LEGAL ANALYSIS

The Federal Circuit first evaluated whether mandamus relief was warranted in this case, and held that the standard set forth in *In re*

15. *Id.*
16. *Id.* at 1367.
17. *Id.*
18. *Id.*
19. *Seagate*, 497 F.3d at 1367.
20. *Id.*; *see also In re* EchoStar Commc'ns Corp., 448 F.3d 1294 (Fed. Cir. 2006); Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983).

Regents of the University of California had been satisfied.[21] The court then discussed the role of "willfulness" in patent law and overruled the standard and the corresponding duty to obtain an opinion of counsel set forth in *Underwater Devices*.[22] Next, the court considered the scope of the attorney-client privilege and work product waiver associated with an advice of counsel defense.[23] The court held that the advice of counsel waiver of attorney-client privilege did not extend to trial counsel or to trial counsel work product, absent exceptional circumstances.[24]

A. Mandamus

The Federal Circuit began its review by determining if the case met the standard for mandamus relief.[25] The court noted that, generally, "[a] party seeking a writ of mandamus bears the burden of proving that it has no other means of attaining the relief desired, and that the right to issuance of the writ is 'clear and indisputable.'"[26] The court explained further by stating the following:

> [M]andamus review may be granted of discovery orders that turn on claims of privilege when (1) there is raised an important issue of first impression, (2) the privilege would be lost if review were denied until final judgment, and (3) immediate resolution would avoid the development of doctrine that would undermine the privilege.[27]

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21. *Seagate*, 497 F.3d at 1367; *see also In re* Regents of the Univ. of Cal., 101 F.3d 1386 (Fed. Cir. 1996) (discussing the three elements which must be satisfied for mandamus review to be granted).

22. *Seagate*, 497 F.3d at 1371.

23. *Id.* at 1370, 1372.

24. *Id.* at 1374, 1376.

25. *Id.* at 1367.

26. *Id.* (citing Mallard v. U.S. Dist. Court for the S. Dist. of Iowa, 490 U.S. 296, 309 (1989)).

27. *Id.* (quoting *In re* Regents of the Univ. of Cal., 101 F.3d 1386, 1388 (Fed. Cir. 1996)).

The court held that this case met these criteria.[28]

The court reviewed the trial court's determination of the scope of waiver under an abuse of discretion standard and applied the law of the Federal Circuit to all substantive patent law issues.[29]

B. Patent Infringement and Enhanced Damages

The Federal Circuit began its analysis by reviewing the history and precedent relating to patent infringement and the willfulness requirement for enhanced damages.[30] The court noted that patent infringement is a strict liability offense and thus, the nature of the offense is only relevant in determining whether enhanced damages are warranted.[31] While the current statute does not contain a standard for awarding enhanced damages, the Supreme Court has held that an award of enhanced damages requires a showing of willful infringement.[32] However, "a finding of willfulness does not require an award of enhanced damages; it merely permits it."[33]

The Federal Circuit next reviewed the standard for evaluating willful infringement created in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, where the court held the following:

> Where . . . a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.[34]

The court noted that, over time, willfulness and its associated duty of care have come to be evaluated under a totality of the

28. *Seagate*, 497 F.3d at 1367
29. *Id.* at 1367-68.
30. *Id.* at 1368.
31. *Id.*
32. *Id.*
33. *Id.* (citing 35 U.S.C. § 284 (2006)).
34. *Seagate*, 497 F.3d at 1368-69 (alteration in original) (quoting Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)).

circumstances test.[35]

Next, the court reviewed the advice of counsel defense commonly asserted by accused willful infringers.[36] Under this defense, the alleged willful infringer attempts to establish that its continued allegedly infringing activities were performed in good faith under reasonable reliance on advice from counsel that the patent is invalid, unenforceable, or not infringed.[37] The court noted that an accused infringer's reliance on favorable advice of counsel, or his failure to show any favorable advice, is not dispositive of the willfulness issue, but is nevertheless crucial to the court's analysis.[38]

The court recognized some of the concerns related to the attorney-client privilege and work product doctrine which arose after *Underwater Devices*.[39] Specifically, the court echoed its observations from *Quantum Corp. v. Tandon Corp*:

> [A]n accused infringer "should not . . . be forced to choose between waiving the [attorney-client] privilege in order to protect itself from a willfulness finding, in which case it may risk prejudicing itself on the question of liability, and maintaining the privilege, in which case it may risk being found to be a willful infringer if liability is found."[40]

The court reviewed its decision in *Knorr-Bremse*, where the court held that invoking the attorney-client privilege, work product protection, or an infringer's failure to obtain legal advice does not give rise to an adverse inference with respect to willfulness.[41] Such an "inference imposed 'inappropriate burdens on the attorney-client relationship.'"[42]

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35. *Id.* at 1369.
36. *Id.*
37. *Id.*
38. *Id.*
39. *Id.*
40. *Seagate*, 497 F.3d at 1369 (quoting Quantum Corp. v. Tandon Corp., 940 F.2d 642, 643-44 (Fed. Cir. 1991)).
41. *Id.* at 1369-70; *see also* Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337 (Fed. Cir. 2004).
42. *Seagate*, 497 F.3d at 1370 (quoting *Knorr-Bremse*, 383 F.3d at 1343).

The court reviewed its decision in *EchoStar*, where the court held that "relying on in-house counsel's advice to refute a charge of willfulness triggers waiver of the attorney-client privilege", and that "asserting the advice of counsel defense waives work product protection and the attorney-client privilege for all communications on the same subject matter, as well as any documents memorializing attorney-client communications."[43] The court narrowed the scope of the rule by holding that "waiver did not extend to work product that was not communicated to an accused infringer."[44]

1. Willful Infringement

In discussing willfulness in patent law, the court noted that willfulness has a well established meaning in civil law which was recently addressed by the Supreme Court in *Safeco Insurance Co. of America v. Burr*.[45] In *Safeco*, the Court concluded that willful's "standard civil usage" included reckless behavior.[46]

The Federal Circuit distinguished the Supreme Court's definition of willfulness from the duty of care concerning willful infringement and held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness."[47] The court also found that since the affirmative duty of care in *Underwater Devices* had been abandoned, the affirmative obligation to obtain opinion of counsel had likewise been eliminated.[48]

The Federal Circuit proceeded to define recklessness and to lay out a new two-part test for willful infringement.[49] First, the court held that to establish willful infringement "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted

43. *Id.* (citing *In re* EchoStar Commc'ns Corp., 448 F.3d 1294, 1299, 1302-03).

44. *Id.* (citing *EchoStar*, 448 F.3d at 1303-04).

45. *Id.* at 1370 (citing Safeco Ins. Co. of Am. v. Burr, 127 S.Ct. 2201, 2209 (2007)).

46. *Id.* at 1370-71 (quoting *Safeco*, 127 S.Ct. at 2209).

47. *Id.* at 1371.

48. *Seagate*, 497 F.3d at 1371.

49. *Id.*

infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry."[50] Second, the "patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer."[51]

Next, the court rejected Convolve's argument that the court's review of the willfulness doctrine was improper as hypothetical or advisory.[52]

2. Attorney-Client Privilege

The Federal Circuit next reviewed the scope of attorney-client privilege waiver associated with the advice-of-counsel defense to a charge of willful infringement.[53] The court acknowledged that the attorney-client privilege is intended "to encourage full and frank communication between attorneys and their clients" and that this privilege recognizes "that sound legal advice or advocacy serves public ends . . . ."[54]

The court reviewed the law concerning attorney-client privilege and stated that "[t]he attorney-client privilege belongs to the client, who alone may waive it."[55] The court remarked that, in order to determine what subject matter falls within the scope of a waiver, courts weigh the circumstances of the disclosure, nature of the legal advice, and any prejudices which may result from permitting or prohibiting further disclosure.[56] Next, the court evaluated the differences between trial counsel and opinion counsel. The court found that opinion counsel serves to provide an objective assessment for making informed business decisions, and trial counsel focuses on litigation strategies in an adversarial

50. *Id.*
51. *Id.*
52. *Id.*
53. *Id.* at 1372.
54. *Seagate*, 497 F.3d at 1372 (quoting Upjohn Co. v. United States, 449 U.S. 383, 389 (1981)).
55. *Id.*
56. *Id.* (quoting Fort James Corp. v. Solo Cup Co., 412 F.3d 1340, 1349-50 (Fed. Cir. 2005)).

proceeding.[57]

The court reasoned that the trial counsel attorney-client privilege in patent litigation raised the same concerns as those identified by the Supreme Court in *Hickman v. Taylor*, in that allowing discovery of counsel's thoughts would result in inefficiency and sharp practices.[58]

The court reasoned that extending waiver to trial counsel was inconsistent with the fact that, in ordinary circumstances, willful infringement will depend on an infringer's prelitigation conduct.[59] The court noted that since a patentee must have a good faith basis for alleging willful infringement when a complaint is filed, willfulness claims must be grounded exclusively in the accused infringer's pre-filing conduct.[60] The court also recognized that if the accused's post-complaint conduct is reckless, then the patentee can seek a preliminary injunction as a remedy.[61] The court reasoned that a patentee who does not attempt to stop an accused infringer's post-filing activities by moving for a preliminary injunction should not be allowed to accrue enhanced damages based on the infringer's post-filing conduct.[62]

Thus, the court reasoned that because willful infringement must find its basis in pre-litigation conduct, the communications of trial counsel have little relevance warranting their disclosure.[63] This supports generally shielding trial counsel from the waiver stemming from an advice of counsel defense to willfulness.[64] The court noted that in this case, the opinions of Seagate's opinion counsel were received after the suit was commenced, and while the reasoning in those opinions may preclude a finding of recklessness if infringement is found, reliance on the opinions after litigation was commenced will likely be of little significance.[65]

The court summarized its new general rule that "asserting the advice of counsel defense and disclosing opinions of opinion

57. *Id.* at 1373.
58. *Id.* (quoting Hickman v. Taylor, 329 U.S. 495, 511 (1947)).
59. *Id.* at 1374.
60. *Seagate*, 497 F.3d at 1374.
61. *Id.*
62. *Id.*
63. *Id.*
64. *Id.*
65. *Id.*

counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel."[66] The court qualified the rule by stating that it is not absolute and that "courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery."[67]

3. Work Product Protection

Next, the Federal Circuit addressed whether the waiver made in an advice of counsel defense extends to trial counsel's work product.[68] The court stated the goal of the work product doctrine as balancing the dual needs of the adversary system by providing immunity to promote an attorney's preparation against society's interest in revealing all true material facts of a dispute.[69] The court noted that attorney work product receives qualified, rather than absolute, immunity, and it can be overcome by need or undue hardship.[70] The level of hardship required to overcome the immunity varies, such that factual work product can be discovered by showing substantial need or undue hardship, while "mental processes work product is afforded even greater, nearly absolute, protection."[71]

The court recognized that work product protection, like the attorney-client privilege, can be waived.[72] The rationale for limiting waiver of the attorney-client privilege with trial counsel is even stronger for work product because of the nature of the work product doctrine, which strengthens the adversary process by preserving the fairness and efficiency of the system and would be damaged if adversaries were entitled to probe each other's thoughts and plans concerning a case.[73]

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

67. *Id.* at 1374-75.

68. *Id.* at 1375.

69. *Id.* at 1375 (quoting *In re* Martin Marietta Corp., 856 F.2d 619, 624 (4th Cir. 1988)).

70. *Id.* (citing FED. R. CIV. P. 26(b)(3)).

71. *Id.*

72. *Seagate*, 497 F.3d at 1375 (citing United States v. Nobles, 422 U.S. 225, 239 (1975)).

73. *See id.* (citing Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854,

The court cited the Supreme Court's decision in *United States v. Nobles* as approving of the restriction of the scope of work product waiver because the Supreme Court refused to allow a "fishing expedition" into all defense files when the defense investigator waived work product protection to reports related to his testimony by affirmatively testifying.[74] The Federal Circuit reasoned that limiting waiver to Seagate's opinion counsel was consistent with *Noble* because Convolve had been granted access to the materials relating to Seagate's opinion counsel's opinion, and the opinion counsel had been made available for deposition.[75]

The Federal Circuit held as a general rule that "relying on opinion counsel's work product does not waive work product immunity with respect to trial counsel."[76] Again, the court qualified the rule by allowing extension of the waiver to trial counsel in cases of chicanery and reiterated that work product discovery would still be available upon a showing of need or undue hardship.[77]

Finally, the court held that nontangible work product does receive protection under *Hickman*, despite Rule 26(b)(3) of the Federal Rules of Civil Procedure, which explicitly provides work product protection to "documents and tangible things," and granted Seagate's petition for a writ of mandamus for the above reasons.[78]

C. Concurring Opinions

1. Judge Gajarsa's Concurring Opinion, Joined by Judge Newman

Judge Gajarsa wrote separately because he would eliminate the willfulness requirement from 35 U.S.C. § 284 altogether.[79] Gajarsa believed that the court should adhere to the plain meaning of the statute and leave the discretion to enhance damages in the

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864 (D.C. Cir. 1980)).

74. *Id.* at 1376 (citing *Nobles*, 422 U.S. at 239-40).

75. *Id.*

76. *Id.*

77. *Id.*

78. *Seagate*, 497 F.3d at 1376 (citing FED. R. CIV. P. 26(b)(3)).

79. *See id.* at 1376-77 (Gajarsa, J., concurring).

hands of the district courts.[80]

2. Judge Newman's Concurring Opinion

Judge Newman wrote separately to clarify his reasons for overruling *Underwater Devices*.[81] Newman agreed with the court's decision to overrule *Underwater Devices* because it has been misapplied to "require more than the reasonable care that a responsible enterprise gives to the property of others."[82] Newman reasoned that rather than the *per se* rule of *Underwater Devices*—that every possibly related patent must be studied by legal counsel to avoid presumptively incurring treble damage—the standard for evaluating adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular circumstances.[83] Such a standard would not disregard the intentional destruction of the value of property of another, which Newman reasoned a "recklessness" standard failed to do.[84]

IV. CONCLUSION

The Federal Circuit overruled *Underwater Devices*, reasoning that its negligence standard was inconsistent with the Supreme Court's definition of "willful" as recklessness.[85] By aligning the standard of "willfulness" with recklessness, the court removed the affirmative duty of care and its corresponding obligation to obtain opinion of counsel.[86] The court held that, in general, asserting the advice of counsel defense and disclosing opinions of opinion counsel or relying on opinion counsel work product does not constitute waiver of attorney-client privilege for communications or work product of trial counsel.[87] The court reasoned that the rule is not absolute, and district courts can exercise discretion in

80. *Id.*
81. *See id.* at 1384-85 (Newman, J., concurring).
82. *Id.*
83. *Id.* at 1385
84. *Seagate*, 497 F.3d at 1385.
85. *Id.* at 1371 (majority opinion).
86. *Id.*
87. *Id.* at 1374, 1376.

extending waiver to trial counsel in unique circumstances.[88]

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88. *Id.* at 1374-76.