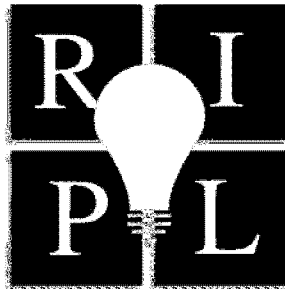


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EXCULPATORY PATENT OPINIONS AND SPECIAL PROBLEMS REGARDING WAIVER OF PRIVILEGE

WILLIAM L. LAFUZE, MATTHEW R. RODGERS & MICHAEL A. VALEK

ABSTRACT

When a patent owner alleges another infringed the patent, the owner inevitably also alleges that such infringement is willful. An accused infringer often defends a claim of willful infringement by asserting evidence that the accused infringer reasonably relied on the opinion of counsel. This article discusses the concept of willful infringement and the criteria necessary for an opinion of counsel to be deemed competent. Moreover, this article analyzes issues that arise as a consequence of using such patent opinions, with a special focus on attorney-client privilege and work-product immunity waiver. Finally the practical ways to minimize the problematic aspects of such patent opinions are addressed, with a focus on post *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.* and *In re Echostar Communications Corp.* considerations.

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EXCULPATORY PATENT OPINIONS AND SPECIAL PROBLEMS REGARDING WAIVER OF PRIVILEGE

WILLIAM L. LAFUZE, MATTHEW R. RODGERS & MICHAEL A. VALEK *

INTRODUCTION

Patent infringement litigation today often follows a prescribed path. The patent owner first alleges that the accused infringer¹ is infringing its patents and then inevitably claims that the accused infringer willfully infringed.² As a defense to willful infringement, the accused infringer often counters by arguing a good-faith, reasonable reliance on an opinion of counsel that addresses potential patent infringement liability. The decisions in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*,³ and *In re Echostar Communications Corp.*⁴ could potentially lessen the dilemma faced by accused infringers: whether to obtain and produce an opinion of counsel and waive some aspects of the applicable privilege when the scope of the waiver is unpredictable, or instead to not obtain and/or produce an opinion of counsel and suffer an adverse inference that such an opinion was, or would have been unfavorable. In eliminating the aforementioned adverse inference, the *Knorr-Bremse* decision expressly left intact the duty to exercise due care to avoid patent infringement.⁵ Therefore, a competent opinion accompanied by the testimony of opinion counsel at trial remains an effective way to prove that an accused infringer has discharged its duty of due care. Such opinions, although not mandatory, should continue to play a critical role in defending against willful infringement and protecting the accused infringer from enhanced damages of up to three times actual damages and attorney's fees. Opinions of counsel relate to the validity, enforceability, and/or non-infringement of a particular patent relative to the accused infringer's business activity. The opinions may also present an analysis of the risks, if any, of patent infringement liability stemming from a particular business activity

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¹ For purposes of simplicity in this paper, "accused infringer" will also refer to all potential infringers, regardless of whether suit has been filed against such entity.

² PatStats.org, U.S. Patent Litigation Statistics, <http://www.patstats.org> (last visited Mar. 1, 2007) (stating patentees won at trial on the issue of willfulness six out of the twelve times willfulness was tried in 2000, twenty out of twenty-six times in 2001, ten out of nineteen times in 2002, fifteen out of twenty-two times in 2003, and three out of ten times in 2004).

³ 383 F.3d 1337 (Fed. Cir. 2004).

⁴ 448 F.3d 1294 (Fed. Cir. 2006).

⁵ *Knorr-Bremse*, 383 F.3d at 1345-46.

and may suggest means of adapting the business activity so as to avoid liability. This article discusses: (1) the concept of willful infringement with illustrative cases; (2) various criteria necessary for an opinion of counsel to be deemed competent; (3) issues that arise as a consequence of using such patent opinions, with a special focus on attorney-client privilege and work-product immunity waiver; and (4) practical ways to minimize the problematic aspects of such patent opinions, with a focus on post *Knorr-Bremse* and *In re Echostar* considerations. This article also touches on the Federal Circuit's recent order granting en banc consideration in the *In re Seagate* matter and the potential ramifications of a decision in *Seagate* on the advice-of-counsel defense to willful infringement.

I. WILLFUL INFRINGEMENT

A. BACKGROUND

It is well settled that when “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.”⁶ Failure to discharge this duty may result in an additional finding of willful infringement by the trier of fact once the accused infringer is found to have infringed.⁷ In order to punish the willful infringer, a finding of willful infringement may lead to an enhancement of damages by the court of up to three times actual damages.⁸ Enhanced damages for willful infringement should be assessed only against the actual parties who are found to have willfully infringed, since these damages are punitive.⁹

Willful infringement arises “upon deliberate disregard for the property rights of the patentee.”¹⁰ “[T]he primary consideration is whether the infringer, acting in good faith and upon due inquiry, had sound reason to believe that it had the right to act in the manner that was found to be infringing Thus precedent displays the consistent theme of whether a prudent person would have had sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would

⁶ *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001) (“When an infringer has actual notice of a patentee’s rights, the infringer has an affirmative duty of due care to avoid infringement”).

⁷ *Vulcan Eng’g Co. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002).

⁸ See *Crystal Semiconductor*, 246 F.3d at 1361; *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992); *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1429 (Fed. Cir. 1988). The statute, although providing for enhanced damages of up to three times actual damages, is silent as to the basis for such enhanced damages. 35 U.S.C. § 284 (2006).

⁹ See *Crystal Semiconductor*, 246 F.3d at 1361. Judge Dyk’s dissent in *Knorr-Bremse* raises interesting questions about whether the “failure to exercise due care” standard for enhancing damages comports with Supreme Court precedent suggesting punitive damages can be awarded only in circumstances where the conduct was reprehensible. *Knorr-Bremse*, 383 F.3d at 1350 (Dyk, J., dissenting) (citing *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 416 (2003) and *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 580 (1996)).

¹⁰ *Vulcan*, 278 F.3d at 1378.

be so held if litigated.”¹¹ This is a question of fact, and the finder of fact considers the “totality of the circumstances” to determine if “clear and convincing evidence establishes that the infringer acted in disregard of the patent, that the infringer had no reasonable basis for believing that it had a right to engage in the infringing acts.”¹² The determination of willfulness “turns on considerations of intent, state of mind, and culpability.”¹³ In judging the accused infringer’s actions, “[t]he law of willful infringement does not search for minimally tolerable behavior, but requires prudent and ethical, legal and commercial actions.”¹⁴ A finding of willful infringement depends on findings of culpable intent and deliberate or negligent wrongdoing.¹⁵ The patentee must show by “clear and convincing evidence that the defendant acted without a reasonable belief that its action avoided infringement.”¹⁶ The Federal Circuit has not precisely defined the level of culpability or intent required for a finding of willfulness; rather, the court has recognized that the question is “one of degree” ranging from “accidental” to “reckless.”¹⁷

B. “Totality of Circumstances” Standard for Willful Infringement

Since willfulness is found when the accused infringer acts in disregard of a patent, the accused infringer can defend against willful infringement by showing its good-faith belief either that the patent was invalid or that its actions did not infringe.¹⁸ The correct legal standard is whether “under all the circumstances, a reasonable person would prudently conduct himself with any confidence that a court might hold the patent invalid or not infringed.”¹⁹ “There are no hard and fast rules regarding a finding of willfulness . . . [A] number of factors enter into a willfulness determination and, as such, the issue is properly resolved by evaluating the totality

¹¹ *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1464–65 (Fed. Cir. 1997).

¹² *Stryker Corp. v. Intermedics Orthopedics, Inc. (Stryker D)*, 891 F. Supp. 751, 814 (E.D.N.Y. 1995) (quoting *Electro Med. Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994)); see also *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 792 (Fed. Cir. 1995); *Nat’l Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1192 (Fed. Cir. 1996); *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992) (stating willful infringement is a question of fact, reviewed by the appellate courts under a clearly erroneous standard); *Crystal Semiconductor*, 246 F.3d at 1346 (reviewed for “substantial evidence”).

¹³ *Nat’l Presto Indus.*, 76 F.3d at 1192.

¹⁴ *SRI Int’l*, 127 F.3d at 1465.

¹⁵ *Biotec Biologische Naturverpackungen GmbH v. Biocorp., Inc.*, 249 F.3d 1341, 1356 (Fed. Cir. 2001).

¹⁶ *Crystal Semiconductor*, 246 F.3d at 1346; see *Transmatic, Inc. v. Gulton Indus., Inc.*, 53 F.3d 1270, 1279 (Fed. Cir. 1995) (using the variant formulation for willfulness of “clear and convincing evidence, that the infringer acted in disregard of the infringed patent with no reasonable basis to believe it had a right to do the acts in question.”); see also *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1439–40 (Fed. Cir. 1988) (articulating the distinction between the “clear and convincing evidence” standard and the “preponderance of the evidence” standard for willful infringement cases, and ruling the “clear and convincing” standard is the proper standard to be applied in willful infringement cases).

¹⁷ *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125–26 (Fed. Cir. 1987).

¹⁸ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992).

¹⁹ *Id.* (quoting *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1428 (Fed. Cir. 1988)).

of the surrounding circumstances.”²⁰ The court should consider exculpatory evidence as well as evidence showing deliberate disregard of the patentee’s rights.²¹ Since infringement is often not a one-time occurrence, the examination can focus on the accused infringer’s state of mind throughout the infringement, and infringement that was not willful at the outset may become so over time.²²

C. Behavior Justifying a Willfulness Finding

To willfully infringe, a party must have notice of a patent. The accused infringer should timely seek legal advice after receiving actual notice of another’s patent, but what constitutes “actual notice” of the patent to the accused infringer? The courts have found various events constituting actual notice. Such events include the offer of a license.²³ Actual notice of the patent also occurs when the patentee files suit against the accused infringer.²⁴ It is difficult to predict what other circumstances might constitute sufficient notice: notice in trade journals was insufficient;²⁵ observance of devices marked with the patent number at a trade show, distribution of literature referring to patented products, and correspondence with the accused infringer about incorporation of patented devices in the accused product were held sufficient;²⁶ imputation of actual notice to the corporation under agency principles (i.e., from officers, directors, or subsidiaries) is possible;²⁷ observation by the accused infringer of a patent notice and drawing in the Official Gazette is sufficient;²⁸ a conversation with a third party about the patent may be sufficient;²⁹ learning of a patent through an internal patent search is sufficient;³⁰ awareness of pending patent rights may be sufficient;³¹ and knowledge about foreign counterparts to a U.S. patent application may be sufficient.³²

While knowledge of a patent and failure to exercise due care to avoid infringement form the overarching framework for willful infringement, copying is

²⁰ *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 792 (Fed. Cir. 1995).

²¹ *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998).

²² *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1221–22 (Fed. Cir. 1995).

²³ *Leinoff v. Louis Milona & Sons, Inc.*, 726 F.2d 734, 743 (Fed. Cir. 1984) (stating the offer of a license provided sufficient notice); *Ralston Purina Co. v. Far-Mar-Co, Inc.*, 772 F.2d 1570, 1577 (Fed. Cir. 1985) (“The offering of a license is actual notice.”).

²⁴ *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1345 (Fed. Cir. 2001).

²⁵ *MacPike v. Am. Honda Motor Co.*, 29 U.S.P.Q.2d 1526, 1531 (N.D. Fla. 1993) (finding advertisements in trade journals insufficient to constitute notice); *Torin Corp. v. Philips Indus., Inc.*, 625 F. Supp. 1077, 1087 n.1 (S.D. Ohio 1985) (finding mention of patent in widely circulated trade journals insufficient to constitute notice).

²⁶ *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374, 1378 (Fed. Cir. 2005).

²⁷ *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990).

²⁸ *Stryker Corp. v. Intermedics Orthopedics, Inc. (Stryker II)*, 96 F.3d 1409, 1415 (Fed. Cir. 1996).

²⁹ *Jepson, Inc. v. Makita USA Inc.*, 32 U.S.P.Q.2d 1107, 1111 (N.D. Cal. 1994).

³⁰ *Am. Med. Sys., Inc. v. Am. Med. Eng’g Corp.*, 794 F. Supp. 1370, 1396 (E.D. Wis. 1992), *aff’d in part, rev’d in part and remanded*, 6 F.3d 1523 (Fed. Cir. 1993).

³¹ *Avia Group Int’l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1566–67; *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 26 U.S.P.Q.2d 1871, 1872–73 (S.D. Tex. 1993).

³² *Lubrizol*, 26 U.S.P.Q.2d at 1872–73.

perhaps the most common hallmark of willful infringement. For example, in *Pacific Furniture Manufacturing Co. v. Preview Furniture Corp.*,³³ the court found willfulness because the patented and accused devices were virtually identical, the accused infringer stated that he was “not proud of what he had done,” and that sales of the copied device “would be limited to certain markets,” and the opinion of counsel relied upon was not supported by an examination of underlying evidence (i.e., file histories of the patents at issue).³⁴ However, the Federal Circuit has made it clear that “slavish copying” is not required—the proper inquiry is whether the accused infringer sought to deliberately copy the ideas or designs of another.³⁵ On the other hand, a mitigating factor may be proof that the accused infringer was attempting to design around the patented product, even though it produced a similar, but non-identical device.³⁶ Filing a patent application on the design-around attempt has been found to give rise to an inference of an intent not to infringe, even when infringement is finally found.³⁷ Research into a competitor’s machine that can be framed as examining for areas of potential improvement has been found to be evidence of non-willfulness.³⁸

Unfair competition or inducement of breaches of confidentiality, such as hiring away a key employee of the patentee to direct duplication of the patentee’s activities, has led to a willfulness finding.³⁹ Misappropriation of trade secrets, prior issuance of a patent that covers the trade secret technology, and the subsequent attempt to patent the misappropriated technology are evidence of willful infringement.⁴⁰ Additionally, concealment or misrepresentation as to activities, failure to keep or deliberate destruction of records relating to infringement and damages, and the prolongation of litigation despite clear evidence of validity and infringement have also led to findings of willfulness.⁴¹ The court found willful infringement when the accused infringer ignored letters offering a license and failed to study the patent or seek advice of counsel.⁴² Even pre-issuance warnings that a patent is pending can serve as a basis for a willfulness finding.⁴³

³³ 626 F. Supp. 667 (M.D.N.C. 1985), *aff’d*, 800 F.2d 1111 (Fed. Cir. 1986).

³⁴ *Id.* at 676–78.

³⁵ *Stryker Corp. v. Intermedics Orthopedics, Inc. (Stryker II)*, 96 F.3d 1409, 1414 (Fed. Cir. 1996); *see also* *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1352 (Fed. Cir. 2001) (finding that evidence of copying supported willfulness finding); *Advanced Display Sys. v. Kent State Univ.*, 212 F.3d 1272, 1285 (Fed. Cir. 2000) (finding willfulness for failure to seek opinion of counsel as to ultimately unsuccessful design-around attempt).

³⁶ *See, e.g., Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125 (Fed. Cir. 1987).

³⁷ *See Kalman v. Berlyn Corp.*, 9 U.S.P.Q.2d 1191, 1200 (D. Mass. 1988), *aff’d in part, rev’d in part*, 914 F.2d 1473 (Fed. Cir. 1990).

³⁸ *See Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1547 (Fed. Cir. 1987).

³⁹ *Cent. Soya Co. v. Geo. A. Hormel & Co.*, 581 F. Supp. 54, 59 (W.D. Okla. 1983), *aff’d*, 723 F.2d 1573 (Fed. Cir. 1983) (considering the following additional factors: relying on prior art already considered in the prosecution history as a basis for an opinion of counsel regarding invalidity, failure to follow advice of counsel regarding non-infringement, and belief that suit would not be filed based on the fact that the accused infringer was a large customer of the patentee).

⁴⁰ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1581–82 (Fed. Cir. 1992).

⁴¹ 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03(4)(b)(iv) (1999).

⁴² *Leinoff v. Louis Milona & Sons*, 726 F.2d 734, 743 (Fed. Cir. 1984).

⁴³ *See, e.g., Avia Group Int’l, Inc. v. L.A. Gear Cal.*, 853 F.2d 1557, 1566–67 (Fed. Cir. 1988); *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 26 U.S.P.Q.2d 1871, 1872–73 (S.D. Tex. 1993).

One important action the accused infringer can take in its defense, and one often taken, is to obtain a competent opinion of counsel regarding the validity, enforceability, and/or non-infringement of the patent that exculpates the accused infringer.⁴⁴ Note that the emphasis here is on the accused infringer's good-faith defense. Therefore, whether the opinion is ultimately legally correct is not determinative.⁴⁵ A party who acts with a good-faith belief that the patent is invalid "should not have increased damage or attorney fees imposed solely because a court subsequently holds that belief unfounded."⁴⁶

What is significant is "the nature of that opinion and what effect it had on an infringer's actions."⁴⁷ Obtaining an opinion of counsel does not "'always and alone' dictate a finding that the infringement was not willful."⁴⁸ In fact, there have been cases finding willful infringement even though the accused infringer obtained an opinion of counsel.⁴⁹ These cases "generally involve situations where opinion of counsel was either ignored or found to be incompetent."⁵⁰ To reap the benefits of the opinion of counsel, the accused infringer must show that it relied on the advice contained in the opinion.⁵¹ The accused infringer's reliance must also be timely.⁵² An accused infringer who obtained an opinion of counsel, but waited two years after the start of production before measuring its products to determine whether it was infringing was "in the same position as one who failed to secure the advice of counsel."⁵³ In addition, the opinion must reflect competent legal advice, with the "emphasis here . . . on 'competent' legal advice."⁵⁴ A competent opinion is one that is "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."⁵⁵

⁴⁴ See, e.g., *Endress + Hauser, Inc. v. Hawk Measurement Sys. Pty. Ltd.*, 892 F. Supp. 1123, 1133 (S.D. Ind. 1995), *aff'd*, 122 F.3d 1040 (Fed. Cir. 1997); *Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998).

⁴⁵ *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992); *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997) (citing *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 793 (Fed. Cir. 1995)); *Kloster Speedsteel AB v. Crucible, Inc.*, 793 F.2d 1565, 1581 (Fed. Cir. 1986).

⁴⁶ *Kloster*, 793 F.2d at 1581.

⁴⁷ *Amsted Indus. Inc. v. Buckeye Steel Castings Co. (Amsted Indus. II)*, 24 F.3d 178, 182 (Fed. Cir. 1994).

⁴⁸ *Id.* at 182 (quoting *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1084 n.13 (Fed. Cir. 1987)); *accord* *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992).

⁴⁹ See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed. Cir. 1992); *Amsted Indus. II*, 24 F.3d at 182-83 (holding the reliance on the opinion letter lacked a good faith belief the patent was invalid, thereby upholding the willful infringement jury finding); *Johns Hopkins Univ. v. CellPro, Inc. (Johns Hopkins II)*, 152 F.3d 1342, 1364 (Fed. Cir. 1998).

⁵⁰ *Read*, 970 F.2d at 829.

⁵¹ *Johns Hopkins II*, 152 F.3d at 1364 (finding the opinions must be competent and followed).

⁵² *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1577 (Fed. Cir. 1983).

⁵³ *Id.*

⁵⁴ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992).

⁵⁵ *Johns Hopkins II*, 152 F.3d at 1364 (quoting *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992)).

While reliance on a competent opinion of counsel may be an important defense against willful infringement, it is not the only factor to consider.⁵⁶ A finding of willfulness is based on the totality of the circumstances.⁵⁷

The totality of the circumstances may include not only such aspects as the closeness or complexity of the legal and factual questions presented, but also commercial factors that may have affected the infringer's actions. Aspects in mitigation, such as whether there was independent invention or attempts to design around and avoid the patent or any other factors tending to show good faith, should be taken into account and given appropriate weight.⁵⁸

There are, however, "no hard and fast rules regarding a finding of willfulness."⁵⁹ Rather, the totality of the circumstances must be considered to determine the issue of willful infringement.

Likewise, while reliance on a competent opinion of counsel may be an important defense against willful infringement, the failure to obtain competent legal advice from counsel is not *prima facie* willful infringement; all of the circumstances must be considered.⁶⁰

Even though an opinion of counsel is not mandatory in defending against an accusation of willful infringement, it is advisable for accused infringers to obtain such an opinion. In the past, failure to obtain an opinion of counsel or failure to produce the opinion allowed the fact finder to draw an adverse inference that the opinion was or would have been "contrary to the infringer's desire to initiate or continue its use of the patentee's invention."⁶¹ *Knorr-Bremse* expressly overruled precedent allowing for such an inference, but did not eliminate the duty of due care

⁵⁶ *Underwater Devices Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389–90 (Fed. Cir. 1983).

⁵⁷ *Id.*

⁵⁸ *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997).

⁵⁹ *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 792 (Fed. Cir. 1995).

⁶⁰ *Biotech Biologische Naturerpackungen GmbH v. Biocorp, Inc.*, 249 F.3d 1341, 1356 (Fed. Cir. 2001) (when the defendant employed an expert in the art at issue, the jury could reasonably find no willfulness despite defendant's failure to obtain opinion of counsel); *Amsted Indus. Inc. v. Nat'l Castings Inc. (Amsted Indus. I)*, 16 U.S.P.Q.2d 1737, 1741 (N.D. Ill. 1990), *aff'd in part, vacated in part and remanded*, 24 F.3d 178 (Fed. Cir. 1994) ("There is nothing talismanic in an opinion letter which advises a party that its conduct will not infringe upon the patent in question."); *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125 (Fed. Cir. 1987); *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*, 209 F. Supp. 2d 348, 391 (D. Del. 2002) (finding considerations regarding counsel's opinion to be "only one factor to be weighed; it is not the end of the court's inquiry on willfulness") *aff'd*, 56 Fed. Appx. 503 (Fed. Cir. 2003); *cf. Gillette Co. v. S.C. Johnson & Son, Inc.*, 12 U.S.P.Q.2d 1929, 1964 (D. Mass. 1989) (stating that offering no opinion of counsel is "extremely telling"), *aff'd*, 919 F.2d 720 (Fed. Cir. 1990). However, when the accused infringer knows about the patent but does not seek opinion of counsel regarding infringement or validity of such patent, without other actions to illustrate due care, and infringement is found, the court will not question a finding of willful infringement. *Crystal Semiconductor Corp. v. Trittech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1352 (Fed. Cir. 2001).

⁶¹ *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1573 (Fed. Cir. 1988); *accord Wesley Jessen*, 209 F. Supp. 2d at 391.

to avoid patent infringement.⁶² Therefore, obtaining a competent opinion of counsel remains advisable to avoid a finding of willful infringement. Additional uncertainty remains as to how the failure to produce or obtain an opinion will factor into the totality of the circumstances test for willful infringement and how much latitude courts will allow in presentation of evidence of the failure to obtain or produce an opinion even if the inference is no longer supported in the law. After *Knorr-Bremse*, the law very likely remains that the accused infringer who refuses to produce the opinions and instead claims privilege until after the end of the discovery period will be precluded from using the opinion as evidence at trial.⁶³

The Federal Circuit recognized the difficulty of the dilemma associated with negative inferences for invoking attorney-client privilege. To minimize the concerns associated with the advice-of-counsel defense and waiver of privilege, the Federal Circuit has suggested bifurcating the trial. This issue is discussed below. Furthermore, the Federal Circuit recently issued the *Knorr-Bremse* decision, a case it sua sponte took on en banc to reconsider the adverse inference drawn when the accused infringer fails to obtain or withholds patent opinions from discovery. The specific questions answered by the Federal Circuit were:

1. When the attorney-client privilege and/or work product privilege is invoked by a defendant in an infringement suit, is it appropriate for the trier of fact to draw an adverse inference with respect to willful infringement?
2. When the defendant has not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?
3. If the court concludes that the law should be changed, and the adverse inference withdrawn as applied to this case, what are the consequences for this case?
4. Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?

The court answered questions one and two in the negative. The court justified its answer to the first question on the basis that the distortion of the attorney-client relationship caused by such an inference was unwarranted.⁶⁴ The court felt that risk of liability in disclosures to and from counsel unduly intruded upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney.⁶⁵ The court recognized that courts in other areas of the law had declined to impose adverse inferences upon assertion of the attorney-client privilege.⁶⁶ It pointed out that the “conceptual underpinnings” that formed the justification for the adverse inference rule have been eroded in today’s era of widespread awareness of and respect for patent rights, as contrasted with the “widespread disregard” of patent rights prevalent when the adverse inference rule came into effect.⁶⁷ As to question two, the court apparently was persuaded by amici curiae arguments regarding the costs and burdens associated with obtaining an opinion.⁶⁸ Importantly, the court expressly left intact the duty of

⁶² *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345–46 (Fed. Cir. 2004).

⁶³ *See Belmont Textile Mach. Co. v. Superba, S.A.*, 48 F. Supp. 2d 521, 523 (W.D.N.C. 1999).

⁶⁴ *Knorr-Bremse*, 383 F.3d at 1344–45.

⁶⁵ *See id.* at 1344.

⁶⁶ *Id.* at 1345.

⁶⁷ *Id.* at 1343–44.

⁶⁸ *Id.* at 1345.

care to avoid infringement of patents of which one is aware.⁶⁹ The Federal Circuit remanded on question three for reconsideration of the evidence of willfulness and an award of attorney's fees in the absence of the adverse inference. Interestingly, the court cited, with approval, the factors set forth in *Read Corp. v. Portec, Inc.*⁷⁰ The *Read* factors go toward the consideration of whether enhanced damages are appropriate, and in what amount, after a willfulness finding has already been made, not to whether a finding of willfulness itself is appropriate.⁷¹ The Federal Circuit appeared to blur the distinction in an important way, since the *Read* factor regarding the size and financial condition of the accused infringer should not have any connection with the "intent" or willfulness of the accused infringer. The Federal Circuit also expressly declined to rule whether the failure to consult counsel can factor into a jury's consideration of the totality of the circumstances.⁷² Finally, as to question four, the Federal Circuit deemed a weighing of the totality of the circumstances preferable to a per se rule.⁷³ Presumably, the existence of a substantial defense to infringement would weigh heavily in the consideration of the totality of the circumstances.

D. Willfulness Finding Increases Damages

1. Enhanced Damages

Although a finding of willful infringement usually leads to enhanced damages, enhanced damages do not automatically apply. A finding of willful infringement "does not compel the district court to grant" enhanced damages.⁷⁴ "Even where willfulness has been found by clear and convincing evidence by a jury, the enhancement of damages is not a foregone conclusion."⁷⁵ Rather, the decision of whether to increase damages and by how much is in the discretion of the court.⁷⁶ Reviewing on an "abuse of discretion" standard, the Federal Circuit has upheld the decisions of some district courts even though the court did not enhance damages after a finding of willful infringement.⁷⁷

⁶⁹ *Id.*

⁷⁰ *Id.* at 1346 (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816–27 (Fed. Cir. 1992)) (acknowledging while there are no bright line rules with respect to willfulness, precedent dictates the use of the *Read* factors).

⁷¹ See *Read*, 970 F.2d at 826–27.

⁷² *Knorr-Bremse*, 383 F.3d at 1346–47.

⁷³ *Id.* at 1347.

⁷⁴ *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999).

⁷⁵ *Atmel Corp. v. Silicon Storage Tech. Inc.*, 202 F. Supp.2d 1096, 1102 (N.D. Cal. 2002).

⁷⁶ See *Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1314 (Fed. Cir. 2002) (stating that even if the jury finds willful infringement, the judge can still deny enhanced damages); *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468–69 (Fed. Cir. 1997); *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 926 F.2d 1161, 1164 n.2 (Fed. Cir. 1991).

⁷⁷ *Odetics*, 185 F.3d at 1274; *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990).

If issues of infringement or patent validity are close, a “court should be ‘more reluctant to impose punitive damages.’”⁷⁸ To determine whether to enhance damages and the amount of such enhancement, if any, the court should consider the following factors: “(1) deliberate copying; (2) infringer’s investigation and good faith belief in validity or non-infringement; (3) litigation conduct; (4) infringer’s size and financial condition; (5) closeness of the case; (6) duration of the misconduct; (7) remedial action by the infringer; (8) infringer’s motivation for harm; and (9) concealment.”⁷⁹ Although some of these factors are the same as those considered by the fact finder in deciding willfulness, the court should reweigh these factors “in greater nuance as may affect the degree of enhancement.”⁸⁰ The court should “consider factors that render defendant’s conduct more culpable, as well as factors that are mitigating or ameliorating.”⁸¹

2. Attorney’s Fees for Exceptional Cases

In addition to the potential for enhanced damages, a finding of willful infringement may lead a court to determine that the case is “exceptional.”⁸² If a case is found to be exceptional, the court may grant attorney’s fees.⁸³ However, a court is not required to grant attorney’s fees even if it finds that a case is exceptional.⁸⁴ If a court decides that a case involving willful infringement is not exceptional it must explain why the case is not exceptional and not covered by the statute.⁸⁵ In *Cybor Corp. v. FAS Technologies, Inc.*,⁸⁶ the court found that the case was not exceptional since there was only “sufficient but weak” evidence of willful infringement.⁸⁷ In determining whether to award attorney’s fees, the court should look to factors such as “the closeness of the case, the tactics of counsel, the conduct of the parties, and

⁷⁸ *Endress + Hauser, Inc. v. Hawk Measurement Sys. Pty. Ltd.*, 892 F. Supp. 1123, 1133 (S.D. Ind. 1995), *aff’d*, 122 F.3d 1040 (Fed. Cir. 1997) (quoting *Yoder Bros., Inc. v. Cal.-Fla. Plant Corp.*, 537 F.2d 1347, 1383–84 (5th Cir. 1976)).

⁷⁹ *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1377–78 (Fed. Cir. 2002); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826–27 (Fed. Cir. 1992).

⁸⁰ *SRI Int’l*, 127 F.3d at 1469.

⁸¹ *Read*, 970 F.2d at 826.

⁸² *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002) (willful infringement is one type of exceptional circumstance); *Amsted Indus., Inc. v. Nat’l Castings, Inc. (Amsted Indus. II)*, 24 F.3d 178, 184 (Fed. Cir. 1994) (asserting that a case could be deemed exceptional upon a finding of willful infringement); *see also Hoffman-La Roche Inc. v. Invamed Inc.*, 213 F.3d 1359, 1365 (Fed. Cir. 2000) (finding the case exceptional due to bad-faith litigation by the patentee).

⁸³ 35 U.S.C. § 285 (2006). Other types of conduct that can lead to a finding that a case is exceptional include inequitable conduct before the Patent and Trademark Office, misconduct during litigation, vexatious or unjustified litigation, and frivolous suit. *Invamed*, 213 F.3d at 1365.

⁸⁴ *S.C. Johnson & Son v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986); *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990); *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1460–61 (Fed. Cir. 1998) (holding that a finding of willfulness does not mandate a finding that the case is exceptional).

⁸⁵ *Carter-Wallace*, 781 F.2d at 201; *Modine Mfg.*, 917 F.2d at 543.

⁸⁶ 138 F.3d 1448 (Fed. Cir. 1998).

⁸⁷ *Id.* at 1460.

any other factors that may contribute to a fair allocation of the burdens of litigation as between winner and loser.”⁸⁸

Given the large damages and attorney’s fees that could result from a finding of willful infringement, it is critical to protect against such a finding. Although numerous factors are involved in determining whether the accused infringer willfully infringed, “[i]t is well settled that an important factor in determining whether willful infringement has been shown is whether or not the infringer obtained the opinion of counsel.”⁸⁹ The discussion below focuses on opinions of counsel as a defense to willful infringement.

III. COMPETENT OPINION OF COUNSEL

An accused infringer can discharge its duty of due care by seeking and relying upon the competent opinion of objective counsel if the opinion is exculpatory.⁹⁰ Exercising due care to avoid infringement of another’s known patent rights requires the accused infringer to act in good faith.⁹¹ Did the accused infringer reasonably believe that it was not engaging in infringing activities?⁹² This duty is still intact after *Knorr-Bremse*.⁹³ When the accused infringer discharges this duty by seeking and obtaining legal advice from counsel, the accused infringer’s reasonable, good-faith belief turns on whether the opinion is “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.”⁹⁴

Although receiving actual notice of another’s patent rights triggers the accused infringer’s duty of care, it does not require that the accused infringer immediately stop the allegedly infringing activity. “[A] party may continue to manufacture and may present what in good faith it believes to be a legitimate defense without risk of being found on that basis alone a willful infringer.”⁹⁵ However, if the notice received is in the form of a suit alleging patent infringement, only obtaining counsel to defend against the suit does not constitute due care.⁹⁶ “[D]efenses prepared for a trial are

⁸⁸ *Carter-Wallace*, 781 F.2d at 201; *accord* *Atmel Corp. v. Silicon Storage Tech. Inc.*, 202 F. Supp.2d 1096, 1108 (N.D. Cal. 2002).

⁸⁹ *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998).

⁹⁰ *See* *Endress + Hauser, Inc. v. Hawk Measurement Sys. Pty. Ltd.*, 892 F. Supp. 1123, 1133 (S.D. Ind. 1995), *aff’d*, 122 F.3d 1040 (Fed. Cir. 1997); *Comark*, 156 F.3d at 1191; *Vulcan Eng’g Co. v. Fata Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002); *Applied Telematics, Inc. v. Sprint Corp.*, No. 94-CV-4603, 1995 WL 567436, at *1 (E.D. Pa. Sept. 21, 1995) (“A charge of willful infringement can be rebutted by proof that the alleged infringer obtained a competent opinion of counsel that the conduct complained of would not infringe the patent in question.”).

⁹¹ *See* *Electro Med. Sys., S.A. v. Cooper Life Scis., Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994).

⁹² *See* *Cordis Corp. v. SciMed Life Sys., Inc.*, 980 F. Supp. 1030, 1032 (D. Minn. 1997); *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).

⁹³ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345–46 (Fed. Cir. 2004).

⁹⁴ *Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342, 1364 (Fed. Cir. 1998) (quoting *Ortho Pharm.*, 959 F.2d at 944).

⁹⁵ *Crystal Semiconductor Corp. v. Trittech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001) (quoting *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 511 (Fed. Cir. 1990)).

⁹⁶ *Crystal Semiconductor*, 246 F.3d at 1352.

not equivalent to the competent legal opinion of non-infringement or invalidity which qualify as 'due care' before undertaking any potentially infringing activity."⁹⁷

In assessing the competency of the opinion, objective evidence should be used.⁹⁸ Courts have looked to various factors to determine whether a patent opinion is competent on a "totality of the circumstances" standard.⁹⁹ Those factors are addressed here.

To serve as exculpatory legal advice the opinion of counsel is viewed objectively, to determine whether it was obtained in a timely manner, whether counsel analyzed the relevant facts and explained the conclusions in light of the applicable law, and whether the opinion warranted a reasonable degree of certainty that the infringer had the legal right to conduct the infringing activity.¹⁰⁰

A. Time to Obtain the Opinion of Counsel

*Underwater Devices Inc. v. Morrison-Knudsen Co.*¹⁰¹ states that the affirmative duty to exercise due care requires that the accused infringer "seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity."¹⁰² The Federal Circuit later clarified that seeking and obtaining competent opinion of counsel *before* initiating the potentially infringing activity is required only if the infringer already knew of the patent before it started the activity.¹⁰³ "Whether an act is 'willful' is by definition a question of the actor's *intent*," therefore, a party cannot, by definition, willfully infringe a product about which it has no knowledge.¹⁰⁴ Courts have found that it is not possible or required to obtain an opinion of counsel prior to beginning alleged infringing activity if the accused infringer did not know of the existence of the patent before it began the activity.¹⁰⁵ Willful infringement is not possible when the patent has not issued prior to the manufacture of the infringing product.¹⁰⁶ This should be distinguished from conduct occurring before the patent issues as a factor in determining willful infringement. "[A]lthough willfulness is generally based on conduct that occurred after a patent issued, pre-patent conduct may also be used to support a finding of willfulness."¹⁰⁷

⁹⁷ *Id.*

⁹⁸ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992); *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F. Supp. 2d 1096, 1104 (N.D. Cal. 2002); *Steelcase Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997).

⁹⁹ *See Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998).

¹⁰⁰ *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1467 (Fed. Cir. 1997).

¹⁰¹ 717 F.2d 1380 (Fed. Cir. 1983).

¹⁰² *Id.* at 1390 (emphasis added).

¹⁰³ *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir. 1991) (explaining *Underwater Devices* as a case where the infringer knew of the patent before the infringement).

¹⁰⁴ *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990).

¹⁰⁵ *Id.* at 511.

¹⁰⁶ *Id.* at 510.

¹⁰⁷ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1581 (Fed. Cir. 1992).

An accused infringer who does not know of a patent before commencing potentially infringing activity meets the requirement of due care when it seeks and obtains timely legal advice from counsel promptly after receiving actual notice of another's patent. It has been held untimely to obtain an opinion two years after receiving actual notice.¹⁰⁸ It may also be untimely to obtain an opinion of counsel after litigation begins.¹⁰⁹ The court in *Michlin* commented that "it is difficult to understand how there could be a defense to willful infringement based on an opinion rendered after the litigation began."¹¹⁰ It is also untimely to obtain an opinion of counsel after the accused infringer has ceased infringement.¹¹¹

Reasonable and prudent commercial standards may require a party to seek competent legal advice before initiating any possibly infringing activity. The duty of due care has required accused infringers to seek an opinion of counsel and suggested that it is a reasonable practice to conduct a patent search before making the decision to introduce a product or service into the market.¹¹² When discussing the issue of willfulness, a manager conceded it would be prudent in most business situations to conduct a patent search before launching a product nationally.¹¹³ Prior to engaging in the selling of a product or service, the party should determine whether the proposed business activity would infringe any issued patents or other rights of third parties.¹¹⁴ Failure to do so may factor into the determination of willfulness.¹¹⁵ In other words, failure to act according to rules of business ethics and to conduct prudent commercial operations in accordance with the law may give rise to a finding of willfulness.¹¹⁶

B. Oral or Written Opinions

A court may look to whether the opinion is oral or written, giving less weight to oral opinions "because they have to be proved perhaps years after the event, based only on testimony which may be affected by faded memories and the forces of contemporaneous litigation."¹¹⁷ However, reliance on an oral opinion can satisfy an

¹⁰⁸ *Tanashin Denki Co. v. Thomson Multimedia, Inc.*, No. IP-99-836-C-Y/K, 2002 U.S. Dist. LEXIS 14598, *19 (S.D. Ind. May 24, 2002).

¹⁰⁹ *Michlin v. Canon, Inc.*, 208 F.R.D. 172, 174 (E.D. Mich. 2002).

¹¹⁰ *Id.* (accused infringer using the same counsel for its opinion as well as for trial likely factored into the comment).

¹¹¹ *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 185 F. Supp. 2d 588, 607 n.13 (D. Md. 2002) (noting that such an opinion has limited relevance).

¹¹² *See Stryker Corp. v. Intermedics Orthopedics, Inc. (Stryker D)*, 891 F. Supp. 751, 815-16 (E.D.N.Y. 1995).

¹¹³ *Id.*

¹¹⁴ *Id.* at 816.

¹¹⁵ *Id.*

¹¹⁶ *See Vulcan Eng'g Co. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002).

¹¹⁷ *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992). *See also* *Northlake Mktg. & Supply, Inc. v. Glaverbel, S.A.*, 72 F. Supp. 2d 893, 914 (N.D. Ill. 1999) ("[O]ral opinions are not favored."); *Cabot Corp. v. Solution Tech., Inc.*, 122 F. Supp. 2d 599, 637 (W.D.N.C. 2000) ("Oral opinions carry less weight, partly because of problems of proof of their content and basis."); *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F. Supp. 2d 1096, 1104 (N.D. Cal. 2002).

infringer's duty of care.¹¹⁸ In *Radio Steel & Manufacturing Co. v. MTD Products, Inc.*,¹¹⁹ the Federal Circuit found no willfulness because the accused infringer reasonably relied on an oral opinion of counsel and made design modifications consistent with the opinion, thereby evincing an intent to avoid infringement of the plaintiff's patent.¹²⁰ However, the court noted that oral opinions may not suffice if the client obtains several written opinions but acts on the basis of an "oral, almost off-the-cuff opinion," or if the attorney is reluctant to render an oral opinion but is "pressured or coerced into doing so by his client."¹²¹ The fact that the opinion is oral does not render it per se unreliable; it is merely a factor considered in determining whether the accused infringer had a good-faith belief that it was not infringing a valid patent.

In addition, some courts find a broader scope of privilege waiver appropriate when opinions of counsel were given orally.¹²² Materials opinion counsel considered and evaluated in presenting an oral opinion may be helpful in determining the substance of the opinion.¹²³ This is especially true when counsel who gave an oral opinion no longer specifically remembers what information was conveyed to the accused infringer.¹²⁴ The issue of scope of waiver is discussed in detail in Section IV below.

C. Author of the Opinion

According to the Federal Circuit, "the competency requirement applies to both the qualifications of the person giving the opinion and to the content of the opinion itself."¹²⁵ Several considerations determine the competency of the person giving the opinion. Courts prefer a U.S. patent attorney who is outside counsel, who is not expected to be trial counsel for the accused infringer, and who has no interest in the outcome of the case.

1. U.S. Patent Attorney Is Preferred

Whether the attorney drafting the opinion is licensed to practice patent law before the United States Patent and Trademark Office is a consideration in determining the competency of the opinion. The fact that opinion counsel is not a patent attorney by itself does not answer the question of good faith, but it should be

¹¹⁸ *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, No. IP-99-38-C-H/K, 2001 WL 1397304, at *19 (S.D. Ind. Oct. 29, 2001) (citing *Radio Steel & Mfg. Co. v. MTD Prod., Inc.* 788 F.2d 1554, 1558–59 (Fed. Cir. 1986)).

¹¹⁹ 788 F.2d 1554 (Fed. Cir. 1986).

¹²⁰ *Id.* at 1559.

¹²¹ *Id.*

¹²² *Frazier Indus. Co. v. Advance Storage Prods.*, No. 92 0303 AWT, 1994 U.S. Dist. LEXIS 19888, at *2 (C.D. Cal. Nov. 1, 1994); *Matsushita Elecs. Corp. v. Loral Corp.*, No. 92 Civ. 5461, 1995 WL 527640, at *2 (S.D.N.Y. Sept. 7, 1995).

¹²³ *Matsushita*, 1995 WL 527640, at *2.

¹²⁴ *Aspex Eyewear, Inc. v. E'Lite Optik, Inc.*, 276 F. Supp. 2d 1084, 1087–88 (D. Nev. 2003).

¹²⁵ *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1572 (Fed. Cir. 1996).

considered.¹²⁶ However, most courts find that “competent opinions are unlikely to come from non-patent counsel . . . or lay persons.”¹²⁷ Willful infringement occurred when the accused infringer “only sought the opinion of general, not patent counsel with regard to validity and infringement of the patents.”¹²⁸ The court found that the accused infringer failed to demonstrate “that this procedure led to a good faith belief that the patents were either invalid or not infringed.”¹²⁹ The patent attorney should be admitted to practice in the United States. Reliance on an opinion drafted by foreign patent attorney failed to impress the court in *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*.¹³⁰ Thus, an opinion drafted by a patent attorney admitted to practice in the United States generally increases the competence of the opinion.

2. Attorney Should Not Have Any Stake in the Outcome

The fact that the attorney drafting the opinion had a financial stake in the outcome of the case has been found to affect the objectivity of the opinion of counsel.¹³¹ A district court rejected the accused infringer’s arguments of good-faith reliance on an opinion of counsel for several reasons, one of them being that the attorney who gave the opinions had a direct financial stake in the outcome of the patent dispute.¹³² The district court recognized that “the only legal opinion [the accused infringer] was willing to present was formulated by . . . an attorney with a stake in the outcome.”¹³³

Likewise, the question of bias arises where the attorney drafting the opinion is “in-house” counsel, rather than “outside” counsel. The court in *Minnesota Mining & Manufacturing Co. v. Johnson & Johnson Orthopaedics, Inc.*¹³⁴ found that the accused infringer “had no reasonable basis to rely on [an in-house attorney’s] oral opinion because, at a minimum, it was not objective.”¹³⁵ That in-house counsel drafts the opinion is a fact that, by itself, does not determine a lack of good faith. There is no rule requiring outside counsel to draft the opinion; it is merely a fact to be weighed.¹³⁶ “Just because an attorney is in-house counsel does not mean that his opinions are necessarily suspect.”¹³⁷ Whether the opinion comes from an in-house

¹²⁶ *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).

¹²⁷ *Jepson, Inc. v. Makita USA, Inc.*, No. CV 90-4312-GHK, 1994 U.S. Dist. LEXIS 21622, at *20–21 (C.D. Cal. May 27, 1994); see also *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) (stating competent opinion letters were obtained from “experienced patent counsel”).

¹²⁸ *Acoustical Design, Inc. v. Control Elecs. Co.*, 932 F.2d 939, 942 (Fed. Cir. 1991).

¹²⁹ *Id.*

¹³⁰ 829 F.2d 1075, 1084 (Fed. Cir. 1987).

¹³¹ *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 21 F. Supp. 2d 366, 377 (S.D.N.Y. 1998), *aff’d*, 231 F.3d 1339 (Fed. Cir. 2000).

¹³² *Id.*

¹³³ *Id.*

¹³⁴ 976 F.2d 1559 (Fed. Cir. 1992).

¹³⁵ *Id.* at 1580.

¹³⁶ *Studiengesellschaft Kohle, m.b.H. v. Dart Indus., Inc.*, 862 F.2d 1564, 1574–75 (Fed. Cir. 1988); *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983); *W. Elec. Co. v. Stewart-Warner Corp.*, 631 F.2d 333, 337 (4th Cir. 1980).

¹³⁷ *W. Elec.*, 631 F.2d at 337.

attorney or an outside attorney may determine whether the opinion is competent and reliable.

Conversely, the fact that outside counsel prepares the opinion is not determinative of its independence. One court allowed discovery of information relating to the “general nature” of the relationship between the accused infringer and its outside counsel to determine the independence of the outside counsel from whom the accused infringer obtained the opinion.¹³⁸ In doing so, the court allowed discovery of the attorney’s fees paid by the accused infringer to counsel, including a showing of the percentage of total revenues that the accused infringer’s work comprised.¹³⁹ Therefore, independence of counsel may also be considered in determining the competency of the opinion.

3. Attorney Should Not Be the Same as Trial Counsel

Additionally, an accused infringer should choose an attorney other than trial counsel to draft the opinion. Retaining the same trial counsel as opinion counsel raises the question of bias. Invalidity or non-infringement defenses prepared by trial counsel do not qualify as competent patent opinions. In *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*,¹⁴⁰ the court explained that “defenses prepared for a trial are not equivalent to the competent legal opinion of non-infringement or invalidity which qualify as ‘due care’ before undertaking any potentially infringing activity.”¹⁴¹ In addition, a jury may believe that the opinion of counsel was “written in anticipation of litigation.”¹⁴² Some courts have also found that advice given by opinion counsel who is simultaneously serving as trial counsel is biased.¹⁴³ These considerations factor into the determination of the opinion’s competence.

Problems such as disqualification of trial counsel and waiver of privilege as to trial advice and strategies are likely to arise when opinion counsel is used as trial counsel. Whether opinion counsel may also serve as trial counsel raises ethical questions. This is because it is foreseeable that counsel may be called to testify as to the opinion since the counsel who prepares the opinion is in the “best position” to answer questions regarding the bases of the opinion.¹⁴⁴ Under ABA Model Rule of Professional Conduct Rule 3.7, “a lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness.”¹⁴⁵ If opinion counsel is a member of trial counsel’s law firm, the Model Rules state that a lawyer may “act as advocate in a trial in which another lawyer in the lawyer’s firm is likely to be called as a

¹³⁸ *Solomon v. Kimberly-Clark Corp.*, No. 98-C-7598, 1999 WL 89570, at *2 (N.D. Ill. Feb. 12, 1999).

¹³⁹ *Id.*

¹⁴⁰ 246 F.3d 1336 (Fed. Cir. 2001).

¹⁴¹ *Id.* at 1352.

¹⁴² *Therma-Tru Corp. v. Peachtree Doors Inc.*, 44 F.3d 988, 997 (Fed. Cir. 1995). However, it is unclear as to whether counsel giving the opinion in this case was also the trial counsel. *Id.*

¹⁴³ *Tanashin Denki Co. v. Thomson Multimedia, Inc.*, No. IP-99-836-C-Y/K, 2002 U.S. Dist. LEXIS 14598, at *18–19 (S.D. Ind. May 24, 2002).

¹⁴⁴ *Amsted Indus., Inc. v. Nat’l Castings, Inc. (Amsted Indus. I)*, 16 U.S.P.Q.2d 1737, 1743 (N.D. Ill. 1990).

¹⁴⁵ MODEL RULES OF PROF’L CONDUCT R. 3.7 (1999).

witness.”¹⁴⁶ However, since each state has its own rules of professional conduct, using opinion counsel as trial counsel may lead to disqualification, depending on the state in which the problem arises.

Using opinion counsel as trial counsel increases the danger of discovery of work product.¹⁴⁷ As discussed below in detail, relying on an opinion of counsel defense waives the attorney-client privilege (and sometimes work-product immunity) as to information relating to the subject matter of the opinion. For these reasons, opinion counsel should not be trial counsel and also should not be from the same law firm as trial counsel.

D. Content of the Opinion

1. Opinion Cannot Be Conclusory and Unsupported

“[T]he opinion letter should be reviewed for its ‘overall tone, its discussion of case law, its analysis of the particular facts and its reference to inequitable conduct.’”¹⁴⁸ Courts look to whether the accused infringer was reasonable in relying on the opinion of counsel. An opinion containing only “bald, conclusory, and unsupported remarks” in its analysis cannot be reasonably relied upon and does not protect against a finding of willfulness.¹⁴⁹ Instead, to remove any doubt that the opinion is competent, the Federal Circuit has commented that the opinion should contain “within its four corners a patent validity analysis, properly and explicitly predicated on a review of the file histories of the patents at issue, and an infringement analysis that, inter alia, compare[s] and contrast[s] the potentially infringing method or apparatus with the patented inventions” in order to have “sufficient internal indicia of creditability.”¹⁵⁰ When an opinion does not support its analysis with a discussion of the facts and is merely conclusory or superficial, courts have found willful infringement.¹⁵¹ An opinion of counsel without “analysis of specific claims, no interpretation of claim language, no discussion of the means-plus-function claim limitations and no meaningful discussion of the prosecution history” was “superficial and conclusory in nature.”¹⁵²

¹⁴⁶ *Id.*

¹⁴⁷ See *Chiron Corp. v. Genentech, Inc.*, 179 F. Supp. 2d 1182, 1188–90 (E.D. Cal. 2001).

¹⁴⁸ *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997) (quoting *Westvaco Corp. v. Int'l Paper Co.*, 991 F.2d 735, 743–44 (Fed. Cir. 1993)).

¹⁴⁹ *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).

¹⁵⁰ *Id.*

¹⁵¹ *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259–60 (Fed. Cir. 1997); *In re Hayes Microcomputer Prods., Inc. Patent Litig.*, 982 F.2d 1527, 1543 (Fed. Cir. 1992) (incompetent opinion “makes broad and conclusory statements with little, if any, support”); *SRI Int'l v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1466 (Fed. Cir. 1997) (inadequate opinion was “conclusory and woefully incomplete”).

¹⁵² *Critikon*, 120 F.3d at 1259–60.

2. *Opinion Should Lay Out Scope of Investigation Conducted*

The opinion should also explicitly outline the scope of the investigation conducted and identify the information on which the opinion is based. Opinions of counsel that state that the file history, including the prior art of record, have been reviewed are likely to be found reasonable because they “evidence an adequate foundation.”¹⁵³ In fact, ordering file histories is a “normal and necessary” step before opining on validity or non-infringement.¹⁵⁴ However, a short opinion that does not lay out the analysis in detail is not per se conclusory.¹⁵⁵ If opinion counsel has extensive experience with the accused infringer, its product, and the relevant prior art and case law, a short opinion that fails to set forth the claim comparisons does not mean that the opinion lacks adequate foundation.¹⁵⁶ Because the information on which the opinion is based will usually be important in determining the competence of the opinion, explicitly identifying these information sources in the opinion is beneficial.¹⁵⁷ The accused infringer has no assurance that opinion counsel was sufficiently informed to render a competent opinion if counsel does not set forth the foundation for the opinion. “An attorney may not have looked into the necessary facts, and, thus, there would be no foundation for his opinion.”¹⁵⁸ There may not be reasonable reliance if the accused infringer merely receives an assurance letter from a business partner without an accompanying opinion of counsel and does not further investigate.¹⁵⁹

3. *Opinion Must Be Based on Accurate and Complete Information*

Courts also examine the accuracy and completeness of information provided to opinion counsel. The accused infringer who “withholds material information from counsel in seeking an opinion as to potential infringement cannot subsequently claim good faith reliance upon that opinion in defense to a claim of willful infringement.”¹⁶⁰ Instead, the accused infringer “must supply all pertinent facts to counsel as a basis for a reliable opinion.”¹⁶¹ In *Amsted Industries I*, the court found that the accused infringer should have disclosed to opinion counsel a copy of an opinion it had previously obtained from a different opinion counsel.¹⁶² The court found that the

¹⁵³ *Westvaco Corp. v. Int'l Paper Co.*, 991 F.2d 735, 744 (Fed. Cir. 1993).

¹⁵⁴ *Underwater Devices*, 717 F.2d at 1390.

¹⁵⁵ *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 185 F.Supp. 2d 588, 607 (D. Md. 2002).

¹⁵⁶ *Id.* at 605–07.

¹⁵⁷ *See, e.g., Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992).

¹⁵⁸ *Id.*

¹⁵⁹ *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir. 1991).

¹⁶⁰ *Amsted Indus. Inc. v. Nat'l Castings, Inc. (Amsted Indus. I)*, 16 U.S.P.Q.2d 1737, 1742 (N.D. Ill. 1990).

¹⁶¹ *Id.* at 1741 (quoting *Scott Paper Co. v. Moore Bus. Forms, Inc.*, 594 F.Supp. 1051, 1084 (D. Del. 1984)); *see also Southern Clay Prods., Inc. v. United Catalysts, Inc.*, 61 U.S.P.Q.2d 1297, 1312 (S.D. Tex. 2001), *rev'd on other grounds*, 43 Fed. Appx. 379 (Fed. Cir. 2002) (*Clay Products* may have been influenced by the district court's opinion of the accused infringer, as expressed in strong words such as “dishonesty” and “deception.”).

¹⁶² *Amsted Indus. I*, 16 U.S.P.Q.2d at 1741.

accused infringer could not claim reliance on the opinion of counsel, since it did not do so.¹⁶³

Similarly, the accused infringer must disclose correct information to opinion counsel.¹⁶⁴ Inaccurate information contained in the opinion should be obvious to the accused infringer, and the accused infringer would not be reasonable in relying on such an opinion.¹⁶⁵ Also, the information given to counsel may determine whether the opinion is objective.¹⁶⁶

E. Updates to the Opinion

Although no continuing duty to reexamine the issue remains after the accused infringer has made one competent, good-faith determination that it is not infringing another's valid patent, the accused infringer may have to reexamine its activities when it later learns new information or receives differing legal advice.¹⁶⁷ The competency and reliability of an opinion of counsel depends on whether the opinion has been updated after it was originally obtained to reflect known changes in the accused infringer's technology. "[S]ignificant design changes, in most instances, would require a new opinion of counsel."¹⁶⁸ As such, an addition of a new component to the patented device may require an updated opinion of counsel.¹⁶⁹

1. Continuous Consultation With Patent Attorney Is Probative of Good Faith

In *Braun Inc. v. Dynamics Corp. of America*,¹⁷⁰ the court found no willful infringement in light of the accused infringer's frequent contact with counsel, stating that "on-going consultation with a patent lawyer is highly probative evidence of good faith."¹⁷¹ In addition to obtaining several letters from counsel regarding non-infringement of the plaintiffs' patents, the court also observed that the accused infringer's patent attorney "was fully involved as a consultant during all stages of the design process."¹⁷² Attorney participation in designing around another's patent and

¹⁶³ *Id.*

¹⁶⁴ *Tanashin Denki Co., Ltd. v. Thomson Multimedia, Inc.*, No. IP-99-836-C-Y/K, 2002 U.S. Dist. LEXIS 14598, at *17 (S.D. Ind. May 24, 2002) (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992) (stating erroneous facts will render an opinion incompetent)).

¹⁶⁵ *Id.* at *19.

¹⁶⁶ *See Minn. Mining & Mfg. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580–81 (Fed. Cir. 1992) (finding that the opinion was not objective since the information that formed the basis of the opinion had been provided to opinion counsel by a person who had a stake in the outcome instead of an independent expert).

¹⁶⁷ *McCormick-Morgan, Inc. v. Teledyne Indus., Inc. (McCormick I)*, 134 F.R.D. 275, 283–84, *rev'd on other grounds*, 765 F. Supp. 611, 614 (N.D. Cal. 1991).

¹⁶⁸ *See Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259 (Fed. Cir. 1997).

¹⁶⁹ *Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1191–92 (Fed. Cir. 1998) (stating that opinion of counsel should have been updated in light of the fact that a spectrum analyzer was added to the invention several months after the opinion was rendered).

¹⁷⁰ 975 F.2d 815 (Fed. Cir. 1992).

¹⁷¹ *Id.* at 822.

¹⁷² *Id.* at 823.

providing new opinions reflecting changes in technology is evidence of good faith and will aid in defending a charge of willful infringement.

2. Updates Should Be Considered After Pertinent Changes in the Law

An opinion of counsel that has been updated to reflect any significant and relevant changes in the law will likely be viewed favorably. Despite the lack of authority on this point, attorneys who write patent opinions are advised to review their opinions when changes in the law occur that are germane to the analysis in the opinions. For example, if the opinion included a claim construction applying the law as handed down by the Federal Circuit in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,¹⁷³ it would be wise to reevaluate the opinion in light of the Supreme Court's reversal of that decision¹⁷⁴ and the Federal Circuit's ruling on remand.¹⁷⁵

3. Updates Should Be Obtained After Material Changes of Fact

Other circumstances may require an updated opinion. For example, the scope of the patentee's exclusive right to practice the invention may change through reissue of the subject patent, thereby rendering the previously obtained opinion inapplicable or incomplete. In *Westvaco Corp. v. International Paper Co.*,¹⁷⁶ the accused infringer was found not liable for willful infringement for several reasons, including reliance upon an updated opinion reflecting the changes in the patentee's reissue patent.¹⁷⁷ Consequently, a more competent, reliable opinion will reflect any applicable changes in the law or the rights of the patentee.

Although all of the above factors aid in determining whether an opinion of counsel is competent, they are only factors and not requirements. The courts have "never suggested that unless the opinion of counsel met all of those requirements, the district court is required to find that the infringement is willful."¹⁷⁸ As previously discussed, even though an opinion obtained by the accused infringer was oral and did not involve a review of the prior art or the file history, the court found that the accused infringer did not willfully infringe.¹⁷⁹ Rather, the court held that the accused infringer acted in good faith because the opinion was obtained from outside patent counsel and the accused infringer made design modifications as suggested by the attorney to avoid infringement of the patent.¹⁸⁰

¹⁷³ 234 F.3d 558 (Fed. Cir. 2000) (en banc).

¹⁷⁴ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, 535 U.S. 722, 741–42 (2002).

¹⁷⁵ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, 344 F.3d 1359, 1385 (Fed. Cir. 2003).

¹⁷⁶ 991 F.2d 735 (Fed. Cir. 1993).

¹⁷⁷ *Id.* at 744.

¹⁷⁸ *Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1559 (Fed. Cir. 1986).

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

IV. WAIVER OF PRIVILEGE

Although relying on advice of counsel is helpful in defending against willful infringement allegations, “the general rule is that the party waives the attorney-client privilege regarding all otherwise privileged communications on the subject matter of the advice.”¹⁸¹ The rationale behind this rule is fairness.¹⁸² “[I]t would be unfair for a party to insist on the protection of the attorney-client privilege for damaging communications while disclosing other selected communications because they are self-serving.”¹⁸³ The accused infringer should not be allowed “to rely on self-serving documents in its defense while withholding potentially damaging information under the guise of the attorney-client privilege.”¹⁸⁴ The test of fairness is whether “it would be unfair to deny another party an opportunity to discover other relevant facts” regarding the subject matter at issue.¹⁸⁵ To protect against producing privileged documents and information relating to an opinion of counsel, the accused infringer may choose to exercise its privilege and refuse to produce its opinions of counsel.¹⁸⁶ In such cases, the accused infringer may not then introduce the privileged documents, including the opinion of counsel, at trial.¹⁸⁷

Knorr-Bremse did not alleviate the problems and uncertainty faced by the accused infringer who has decided to produce its opinion of counsel and waive the privilege. However, the Federal Circuit recently took a step towards clarifying scope of waiver issues in *Echostar*.¹⁸⁸ The Federal Circuit until recently had avoided the issue, citing the “fact specific nature” of the scope of waiver inquiry.¹⁸⁹ *Echostar* provides needed guidance, at least with respect to the important questions surrounding uncommunicated work product waiver.

When the accused infringer relies on the advice-of-counsel defense, some level of waiver occurs as to documents and information communicated between opinion counsel and the accused infringer for purposes of obtaining the opinion.¹⁹⁰ In *Echostar*, the Federal Circuit summarized the law of attorney-client privilege and work product immunity, noting that both could be waived, but to different extents—a waiver of attorney-client privilege waives all communications between attorney and client on the same subject matter, while a waiver of work product immunity extends only to “non-opinion” or “factual” work product on the same subject matter, and not

¹⁸¹ *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, 149 F. Supp. 2d 659, 661 (S.D. Ind. 2001).

¹⁸² *Mushroom Assocs. v. Monterey Mushrooms Inc.*, 24 U.S.P.Q.2d 1767, 1770 (N.D. Cal. 1992); see also *Saint-Gobain/Norton Indus. Ceramics Corp. v. Gen. Elec. Co.*, 884 F. Supp. 31, 33 (D. Mass. 1995).

¹⁸³ *McCormick-Morgan, Inc. v. Teledyne Indus., Inc. (McCormick II)*, 765 F. Supp. 611, 613 (N.D. Ca. 1991).

¹⁸⁴ *Mushroom Assocs.*, 24 U.S.P.Q.2d at 1770; *Saint-Gobain*, 884 F. Supp. at 33.

¹⁸⁵ See *Applied Telematics, Inc. v. Sprint Corp.*, No. 94-CV-4603, 1995 WL 567436, at *1, *3 (E.D. Pa. Sept. 21, 1995).

¹⁸⁶ *Belmont Textile Mach. Co. v. Superba, S.A.*, 48 F. Supp. 2d 521, 523 (W.D.N.C. 1999).

¹⁸⁷ *Id.*

¹⁸⁸ *In re Echostar Commc'ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).

¹⁸⁹ See *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349–50 (Fed. Cir. 2005) (citing *In re Keeper of the Records XYZ Corp.*, 348 F.3d 16, 23 (1st Cir. 2003)).

¹⁹⁰ See *Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 363 (D. Mass. 1995).

to “opinion” or “mental impression” work product.¹⁹¹ Noting that there is often a fine line between “factual” work product and “opinion” work product, the Federal Circuit directed district courts to use discretion to prevent sword and shield litigation while protecting work product.¹⁹² What was unclear before *Echostar*, and to a certain extent remains unclear, is the subject matter and temporal scope of that waiver and the extent of the waiver relating to opinions not relied upon or received from counsel other than opinion counsel.¹⁹³ *Echostar* answered important questions regarding waiver of uncommunicated work product, as explained below.

A. Choice of Law

In *Echostar*, the Federal Circuit determined that its law applied to the scope of waiver question, rather than regional circuit law, reasoning that since a remedy for willful infringement arises from the Patent Act, discoverability and privilege issues related to the defense of willful infringement implicated substantive patent law.¹⁹⁴ Because of the lack of binding precedent prior to *Echostar*, trial courts had not agreed on the proper scope of waiver of attorney-client privilege and work-product immunity when the advice-of-counsel defense is used. The following discussion shows the wide range of decisions that resulted. Since the *Echostar* decision left the door open for continuing conflict in some areas of the scope of waiver, many pre-*Echostar* cases will continue to provide useful guidance on certain issues.

B. Scope of Waiver of Privilege

1. In re Echostar

In *Echostar*, the accused infringer sought an opinion of non-infringement from its in-house counsel and then, after filing of suit, from outside counsel. The accused infringer chose to rely only on the opinion of in-house counsel at trial.¹⁹⁵ The district court ruled that all communications and work product relating to infringement, including that of outside counsel, was waived.¹⁹⁶ The waiver extended to work product of outside counsel not communicated to the client.¹⁹⁷ The district court reasoned that such documents might be relevant or lead to the discovery of admissible evidence since they could contain information that was conveyed to the accused infringer.¹⁹⁸ The district court allowed redaction of information relating only

¹⁹¹ *Echostar*, 448 F.3d at 1300–01.

¹⁹² *Id.* at 1302.

¹⁹³ See *Mosel Vitelic Corp. v. Micron Tech., Inc.*, 162 F. Supp. 2d 307, 312 (D. Del. 2000) (commenting on the past split on this issue).

¹⁹⁴ *Echostar*, 448 F.3d at 1298.

¹⁹⁵ *Id.* at 1297.

¹⁹⁶ *Id.* This ruling was affirmed by the Federal Circuit. *Id.* at 1299.

¹⁹⁷ *Id.* at 1297. This ruling was partially affirmed by the Federal Circuit. *Id.* at 1303–04.

¹⁹⁸ *Id.* at 1297.

to trial preparation.¹⁹⁹ The waiver included communications made both before and after the filing of the lawsuit.²⁰⁰

The Federal Circuit granted the accused infringer's and the outside counsel's petitions for mandamus. The *Echostar* decision recognized three categories of documents potentially relevant to the advice of counsel defense: (1) documents embodying a communication between the attorney and client concerning the subject matter of the case; (2) documents analyzing the law, facts, trial strategy, and other items that reflect the attorneys' mental impressions but not communicated to the client; and (3) documents that discuss a communication between the attorney and client concerning the subject matter of the case but that are not provided to the client.²⁰¹ As to category one, the Federal Circuit ruled that when a party relies on the advice of counsel defense to willful infringement, the party waives its attorney-client privilege for all communications between the attorney and client, including any documentary communication such as opinion letters and memoranda.²⁰² The Federal Circuit held that by asserting the advice of counsel defense to charge of willful infringement, the accused infringer does not waive the privilege as to work product described in category two.²⁰³ The court explained that the "work product waiver extends only so far as to inform the court of the *infringer's* state of mind."²⁰⁴ What the accused infringer knew or believed is the proper focus of the willfulness analysis, and not what other items counsel may have prepared but never communicated to the client.²⁰⁵ Finally, with respect to the third category of documents, the Federal Circuit recognized that there may be documents in the attorney's file that reference a communication between the attorney and client that were not provided to the client.²⁰⁶ The Federal Circuit held that such work product was discoverable because it will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court.²⁰⁷

It is likely that the case law harmonized by the *Echostar* decision will continue to be relevant to determinations of whether the work product immunity of certain specific categories of documents is waived when the advice of counsel defense is asserted. The Federal Circuit itself recognized that there would be documents that did not fall neatly into one of the three categories.²⁰⁸ As an example, the decision does not appear to address squarely the discoverability of a purely factual summary prepared by counsel relative to the opinion when the summary is not communicated to the client. It is therefore possible that such documents would be analyzed under the rubric of "substantial need" laid in out Federal Rule of Civil Procedure 26(b)(3).

¹⁹⁹ *Id.*

²⁰⁰ *Id.*

²⁰¹ *Id.*

²⁰² *Id.*

²⁰³ *Id.* at 1303.

²⁰⁴ *Id.*

²⁰⁵ *Id.*

²⁰⁶ *Id.* at 1304. The court gave as an example a lawyer's e-mail to another colleague summarizing a telephone call with a client discussing potential infringement. *Id.* Such communications would be discoverable. *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Id.* at 1303 n.3.

The *Echostar* opinion addresses the temporal scope of the waiver in a footnote, holding that the waiver extends so long as infringement continues, including after the filing of the lawsuit.²⁰⁹ The decision did not address the issue of waiver of trial counsel's work product, although the district court allowed redaction of work product related solely to trial preparation and the Federal Circuit did not comment on this ruling.²¹⁰ It now seems more likely that the waiver will extend to any opinion the accused infringer receives, and not only to the opinion relied upon.

Prior to *Echostar*, the courts generally agreed that relying on the advice-of-counsel defense waived the attorney-client privilege as to information communicated between opinion counsel and the accused infringer to some extent regardless of whether the courts allowed waiver of work-product immunity.²¹¹ The reason was that "a party needs access to privileged information underlying the advisory letter because it cannot analyze reliance upon the advice of counsel without reference to the circumstances surrounding the issuance of the advice or the formation of the opinions contained in the advice."²¹²

2. Waiver of Privilege Regarding a Written Opinion of Counsel

The case law is likely unsettled as to whether a written opinion of counsel must be produced in its entirety when the accused infringer relies on only one portion of the opinion. The Federal Circuit summarized its *Echostar* ruling by stating that "[t]herefore, when an alleged infringer asserts its advice-of-counsel defense regarding willful infringement of a particular patent, it waives its immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, *and* infringed by the accused."²¹³

In the past, some cases held that if the accused infringer obtained an opinion of counsel addressing more than one issue, the scope of waiver depended on the issues the accused infringer is relying on for its advice-of-counsel defense.²¹⁴ In *Saint-Gobain/Norton Industrial Ceramics Corp. v. General Electric Co.*,²¹⁵ the accused infringer elected to present only good-faith reliance on the opinion of counsel that the patent was invalid as a defense to willful infringement, and thus, the court allowed the opinion to be redacted for the issues other than validity.²¹⁶ Similarly, where the accused infringer obtained an opinion of counsel addressing other patents in *Solomon v. Kimberly-Clark Corp.*,²¹⁷ the court allowed redaction of the portions of the opinion that did not address the patent-in-suit.²¹⁸

²⁰⁹ *Id.* at 1303 n.4.

²¹⁰ *Id.* at 1297.

²¹¹ *Novartis Pharms. Corp. v. Eon Labs Mfg. Inc.*, 206 F.R.D. 396, 397 (D. Del. 2002) (finding that the courts are consistent to the extent that the attorney-client privilege is waived).

²¹² *Mushroom Assocs. v. Monterey Mushrooms Inc.*, 24 U.S.P.Q.2d 1767, 1770 (N.D. Cal. 1992).

²¹³ *Echostar*, 448 F.3d at 1304 (emphasis added).

²¹⁴ *Saint-Gobain/Norton Indus. Ceramics Corp. v. Gen. Elec. Co.*, 884 F. Supp. 31, 34 (D. Mass. 1995); *Solomon v. Kimberly-Clark Corp.*, No. 98-C-7598, 1999 WL 89570, at *2 (N.D. Ill. Feb. 12, 1999).

²¹⁵ 884 F. Supp. 31 (D. Mass. 1995).

²¹⁶ *Id.* at 34.

²¹⁷ 1999 WL 89570 (N.D. Ill. Feb. 12, 1999).

²¹⁸ *Id.* at *2.

On the other hand, several pre-*Echostar* courts held that the accused infringer must produce the written opinion in its entirety even if those portions relate to other patents or other subject matters.²¹⁹ The court in *Steelcase Inc. v. Haworth, Inc.*²²⁰ required the accused infringer to produce the entire opinion, without redaction, even if irrelevant information was produced.²²¹ “Because of the centrality of the opinion letter itself under Federal Circuit analysis, the opinion must be produced in its entirety, without redaction.”²²² Another court found that allowing the patentee access to the entire opinion gave the patentee an opportunity to more thoroughly examine the opinion.²²³ Further, the only way the plaintiff could test its premise that the accused infringer believed that its actions would infringe some patents was for the accused infringer to know what other patents were considered in those opinions.²²⁴ Therefore, it likely remains difficult to predict whether a court would require production of the entire written opinion or allow redaction when the opinion contains subject matter not related to the advice-of-counsel defense. If read literally, *Echostar* no longer allows for parsing the scope based on the particular subject matter of the opinion relied upon.

Several courts have interpreted *Echostar* to have held that the waiver extended to any communication regarding the validity, infringement, and enforceability of the patent at issue, apparently relying in part on the Federal Circuit’s use of the phrase “concerning the subject matter of the *case*” and not “subject matter of the *opinion*” when describing the documents embodying a communication.²²⁵ The court also cited the Federal Circuit’s “valid, enforceable, *and* infringed” language discussed above.²²⁶

²¹⁹ *Steelcase Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997); *Viskase Corp. v. Am. Nat'l Can Co.*, 888 F. Supp. 899, 900 (N.D. Ill. 1995).

²²⁰ 954 F. Supp. 1195 (W.D. Mich. 1997).

²²¹ *Id.* at 1198.

²²² *Id.*

²²³ *Viskase Corp.*, 888 F. Supp. at 900.

²²⁴ *Id.* (finding in an *in camera* review that redacted patents are not protected by the attorney-client privilege and must be disclosed because at least one of the patents was used as the basis for a non-infringement opinion).

²²⁵ *See, e.g.*, *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46, 50 (D.D.C. July 14, 2006) (emphasis added) (citing *In re Echostar Commc'ns. Corp.*, 448 F.3d 1294, 1302 (Fed. Cir. 2006)).

²²⁶ *Id.* (emphasis added); *see also* *Kimberly-Clark Corp. v. Tyco Healthcare Retail Group*, No. 05-C-985, 2007 WL 218721, at *2 (E.D. Wis. Jan. 26, 2007) (holding similarly that all communications regarding the validity, enforceability, and infringement of the patent at issue were waived); *Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 355 (D. Del. July 28, 2006) (holding the same). *But see* *CCC Info. Servs., Inc. v. Mitchell Int'l, Inc.*, No. 03-C-2695, 2006 WL 3486810, at *6 (N.D. Ill. Dec. 1, 2006) (allowing redaction of sections of non-infringement opinion addressing potential damages); *Ampex Corp. v. Eastman Kodak Co.*, No. CIV A. 04-1373-KAJ, 2006 WL 1995140, at *3 (D. Del. July 17, 2006) (reading *Echostar* as implying that “the type of communications being discussed are opinions expressed in a manner comparable to the opinion that is disclosed”).

3. Subject Matter Limitations on the Waiver of Privilege with Respect to Documents Other Than the Written Opinion

Prior to *Echostar*, the majority of the courts believed that the scope of waiver as to information and documents other than the written opinion itself should include only the subject matter relied upon for the advice-of-counsel defense. For example, if the accused infringer obtained an opinion of counsel only on infringement issues, waiver would be limited to the communications regarding infringement. In the same way, an accused infringer who relies only on an invalidity opinion can likely limit the waiver to communications regarding validity.²²⁷ “[I]n a case in which there is more than one issue and reliance [on] the advice of counsel [goes] to only one issue, the waiver would not extend to the other issue.”²²⁸ Therefore, if the case involves the issues of infringement and validity of a patent but the only opinion of counsel the accused infringer uses is the portion that says the patent is invalid as a defense to willfulness, then the waiver should only apply to privileged documents relating to the validity of the patent.²²⁹

Other courts have found that separate issues may be so interrelated that waiver by issue is not practical. One court found ordering production of opinions on validity, and not on infringement and other subjects, unfair when the opinions included claim constructions of the same patents. Therefore, the court ruled that other opinions that construed the same claims as those in the opinion relied upon must be produced even if they did not address the subject matter of the opinion relied upon.²³⁰ In *Thermos Co. v. Starbucks Corp. & Pacific Market, Inc.*,²³¹ the court found that where opinion counsel also examined validity and prior art and compared the two methods while addressing infringement in the opinion letter, privilege was waived as to all those subject matters.²³² The *Thermos* court examined the language of the opinion letters and found that the opinions addressed more than just an analysis of infringement.²³³ In one opinion letter, opinion counsel stated that its conclusion was

²²⁷ *Greene, Tweed of Del., Inc. v. DuPont Dow Elastomers, L.L.C.*, 202 F.R.D. 418, 422 (E.D. Pa. 2001); *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 217 (D. Mass. 2000); see also *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 422–23 (M.D.N.C. 2003) (holding that where an accused infringer has only relied on an opinion of non-infringement, the extent of the waiver only extends to communications regarding non-infringement); cf. *Verizon Cal., Inc. v. Ronald A. Katz Tech. Licensing, L.P.*, 266 F. Supp. 2d 1144, 1150 (C.D. Cal. 2003) (holding defendant’s reliance on portions of counsel’s opinion for invalidity waived privilege as to non-infringement portions of the same opinion, because invalidity is a basis for noninfringement and defendant failed to meet its burden to show no waiver).

²²⁸ *Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 365 n.8 (D. Mass. 1995).

²²⁹ *Id.* But see *McCormick-Morgan, Inc. v. Teledyne Indus., Inc. (McCormick I)*, 134 F.R.D. 275, 281 (N.D. Cal. 1991), *rev’d on other grounds*, 765 F. Supp. 611 (N.D. Cal. 1991) (finding privilege waived on all issues with respect to invalidity, infringement, and enforceability, but not any other affirmative defenses).

²³⁰ See *Motorola, Inc. v. Vosi Techs., Inc.*, No. 01-C-4182, 2002 WL 1917256, at *1 (N.D. Ill. Aug. 19, 2002).

²³¹ No. 96-C-3833, 1998 WL 781120 (N.D. Ill. Nov. 3, 1998).

²³² *Id.* at *3.

²³³ *Id.*

“based on [counsel’s] understanding of the prior art.”²³⁴ Likewise, a second opinion letter written by another opinion counsel extensively discussed the prior art and stated that the opinion was based on “the prior art cited and relied upon in the prosecution history [of the patent].”²³⁵ The second opinion counsel had also compared the plaintiff’s patent with the accused infringer’s activities. Because the opinions contained these discussions, the court held that privilege was waived as to the subject matter of validity and prior art and any comparisons of the two methods.²³⁶ The court did not consider that a thorough analysis of the patent, including the prior art and file history and the accused infringer’s activities, is a factor in determining whether an opinion of counsel is competent.²³⁷ However, the general rule was that the accused infringer “waives the privilege only with respect to the *subject of the advice* upon which the party intends to rely . . . as a defense.”²³⁸ Post-*Echostar* the general consensus among district courts seems to be that all communications on the subjects of invalidity, enforceability, and infringement are waived. The Federal Circuit will likely be asked for additional guidance in this area.

4. *Time Limitations on the Waiver of Privilege and Extending Waiver to Trial Counsel*

The *Echostar* opinion addresses the temporal scope of the waiver in a footnote, holding that the waiver extends so long as infringement continues, including after the filing of the lawsuit.²³⁹ However, in *Indiana Mills & Manufacturing, Inc. v. Dorel Industries, Inc.*,²⁴⁰ the district court reasoned that *Echostar* did not hold that the temporal scope of the waiver always extended post-filing.²⁴¹ Rather, the court found that in the circumstance where there is no evidence that opinions or advice obtained post-filing contradicted earlier opinions, the need to protect the attorney-client privilege and work product privilege outweighed the need for discovery.²⁴² The court noted that in a situation where post-filing opinions, whether they be of trial counsel, in-house counsel, or other outside counsel, differed from those obtained pre-filing, such opinions might be discoverable as they could bear on the reasonableness of the accused infringer’s continued reliance on the pre-filing opinions.²⁴³ Note that the district court later withdrew its opinion, citing a misunderstanding based on the

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ See *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).

²³⁸ *Applied Telematics, Inc. v. Sprint Corp.*, CIV.A No. 94-CV-4603, 1995 WL 567436, at *2 (E.D. Pa. Sept. 21, 1995); see also *Fonar Corp. v. Johnson & Johnson*, 227 U.S.P.Q. 886, 888 (D. Mass. 1985); *Ronald A. Katz Tech. Licensing, L.P. v. AT&T Corp.*, 191 F.R.D. 433, 440 (E.D. Pa. 2000).

²³⁹ *In re Echostar, Commc’ns Corp.*, 448 F.3d 1294, 1303, n.4 (Fed. Cir. 2006).

²⁴⁰ No. 1:04CV01102-LJM-WTL, 2006 WL 1749413 (S.D. Ind. May 26, 2006).

²⁴¹ *Id.* at *7.

²⁴² *Id.*

²⁴³ *Id.* at *7, n.2.

court's belief that the accused infringer had not sought any opinions of counsel after the filing of the lawsuit.²⁴⁴

Other post-*Echostar* decisions have been somewhat inconsistent, but generally favor a broad waiver. One court held that to the extent the accused infringer relies upon an opinion of counsel as a defense to willful infringement, information related to the opinion is discoverable, despite being generated after the commencement of litigation.²⁴⁵ Likewise, if an opinion of counsel is prepared after litigation begins, and is relevant to ongoing willful infringement, it is also discoverable.²⁴⁶ In the *Affinion* case, there were separate trial counsel and opinion counsel, although from the same firm.²⁴⁷ This did not appear to matter to the court, which held that the accused infringer had waived the attorney-client privilege as to communications with "litigation counsel," and any other counsel, to the extent the communications relate to non-infringement, invalidity, and any other defense to infringement.²⁴⁸ This waiver included post-filing communications. Another post-*Echostar* case found that "*Echostar's* limited discussion concerning [the temporal scope of waiver] issue is inapplicable to the instant dispute" and ordered the accused infringer to produce witnesses and all documents generated by its counsel subsequent to the oral opinion relied upon which either question or contradict in any way the competence or validity of the opinion rendered.²⁴⁹ Another court rejected the argument that waiver should extend to trial counsel as it would "demolish[] the practical significance of the attorney-client privilege, a result obviously at odds with other comments in *Echostar*."²⁵⁰

*Genentech, Inc. v. Insmmed, Inc.*²⁵¹ adopted a particularly refined approach:

The Court adopts a middle approach that seeks to preserve in some fashion trial strategy while requiring disclosure of communications that are central

²⁴⁴ *Ind. Mills & Mfg.*, 2006 WL 1993420 (order withdrawing earlier opinion).

²⁴⁵ *Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 357 (D. Del. 2006). In *Computer Assoc. Int'l, Inc. v. Simple.com, Inc.*, the court affirmed the special master's decision that waiver extended to all opinions of trial counsel on same subject matter as the opinions relied upon and extended the waiver past time of filing of suit due to ongoing allegation of infringement. No. 02 Civ. 2748-DRH-MLO, 2006 WL 3050883, at *5 (E.D.N.Y. Oct. 23, 2006). The court allowed *in camera* review of documents alleged to relate to trial strategy. *Id.* The court also made the interesting observation that "[l]itigation strategy and advice of counsel are not the same." *Id.*

²⁴⁶ *Computer Assoc. Int'l*, 2006 WL 3050883, at *5.

²⁴⁷ *Affinion*, 440 F. Supp. 2d at 356.

²⁴⁸ *Id.*

²⁴⁹ *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d, 46, 52-53 (D.D.C. 2006). In *Intex*, the accused infringer used the same attorney as opinion counsel and trial counsel. *Id.* at 52. The holding of *Intex* was adopted in *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, where Lexmark sought document and deposition discovery from lead counsel for one defendant of a multi-defendant group wherein a *different* defendant had produced an opinion of counsel, apparently seeking the joint defense group's discussions regarding the opinion. *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, No. 06-cv-02182-JLK-BNB, 2007 WL 219955, at *3 (D. Colo. Jan. 25, 2007). The court found that trial counsel communications that contradicted the opinion relied upon were discoverable, but quashed the subpoena because Lexmark had not established that any information had actually been communicated to the client. *Id.* at *5-6.

²⁵⁰ *Ampex Corp. v. Eastman Kodak Co.*, No. 04-1373-KAJ, 2006 U.S. Dist. LEXIS 48702, at *9 (D. Del. July 17, 2006).

²⁵¹ 442 F. Supp. 2d 838 (N.D. Cal. 2006).

and material to Defendants' decision to engage in allegedly infringing activity. Waiver of trial counsel communication with the client should apply to documents and communications that are most akin to that which opinion counsel normally renders—*i.e.*, documents and communications that contain opinions (formal or informal) and advice central and highly material to the ultimate questions of infringement and invalidity (the subject matter of the advice given by Foley opinion counsel). While this approach would include the most significant opinions and views expressed by trial counsel to Defendants (upon which a reasonable inference of reliance may be drawn), it would exclude lower level documents and communications that are more akin to discussions of trial strategy. For instance, a communication about the likelihood of success on infringement in light of the venue and probably jury pool is of central materiality to the ultimate question of infringement, and should therefore be produced. However, a discussion about the tactics of jury selection, the theme of the opening statement to the jury, etc. should not be disclosed. Likewise, predictions about how the judge will construe key claims and their impact on the outcome of the case should be produced, but discussions about which arguments should be made to the judge should not. The dividing line revolves around the degree of materiality to the client's decision to launch the accused product (and continue its sale). Only that advice and work product of trial counsel that is reasonably central to that decision—and which presumably would carry the same kind of weight that advice from opinion counsel normally would—is waived. In this regard, all other things being equal, any negative opinions or views of trial counsel should be presumed to have a higher degree of materiality since one would expect the client would pay particularly close attention to such negative advice. Nonetheless, the degree of materiality to the ultimate question of invalidity or infringement would still have to be assessed even as to these negative communications. Thus, for instance, a report on a deposition that states a favorable deponent was not as helpful as hoped would likely not be producible, unless the deponent were a key witness testifying on a potentially dispositive matter such that the testimony would likely have a central and material effect on the outcome of the case.²⁵²

Another illustrative order issued as follows after the *Echostar* decision:

[The accused infringer] must review its privilege log, and any documents generated by trial counsel on the subject matter of the opinion letters that may not be on the privilege log, in order to determine whether it has produced the full scope of what is required under *Echostar*. In making that determination, [the accused infringer] may not assert attorney-client privilege or work product protection for the following categories of documents that relate to the same subject matter as the legal advice on which they rely: (1) communications between [the accused infringer] and

²⁵² *Id.* at 847.

any counsel (including trial counsel), including communications which conveyed to the [the accused infringer] work-product information; and (2) documents from the files of [the accused infringer's] attorneys (including trial counsel) that were not conveyed to [the accused infringer], but that discuss work product information that was communicated to [the accused infringer]. With respect to this latter category, [the accused infringer] may not withhold documents on the ground that the work-product information fails to contradict or cast doubt on the legal advice on which [the accused infringer] relies; however, [the accused infringer] may redact any references to work-product material that was not communicated to [the accused infringer]. As recognized both in *EchoStar* and *Beneficial*, the time scope of this waiver is not limited to the period ending with the commencement of suit, but continues to include the affected attorney-client and work-product materials generated after suit commenced.²⁵³

Another court's order interpreting *Echostar* issued as follows:

This Court finds that, by asserting advice of counsel as a defense to a charge of willful infringement of [patentee's] patents, [the accused infringer] waived privilege for both pre-and post-filing pertinent attorney-client communications and work product. Under the analysis in *Echostar*, it is immaterial whether [the accused infringer's] opinion counsel and trial counsel are from the same firm, different firms or are even the same person. What matters is that:

1. [The accused infringer] relies on advice of counsel as a defense to [patentee's] charge that it willfully infringed [patentee's] patents;
2. Therefore, [the accused infringer] waives privilege for communications with counsel on the subject of the opinion or advice on which it relies as well as work product on that subject communicated to [the accused infringer] or which refers to communications on that subject;
3. [The patentee] alleges that [the accused infringer] continues to infringe [patentee's] patents;
4. Therefore [the patentee] is entitled to information subject to waiver which [the accused infringer] received even after [the patentee] filed its complaint;
5. The categories of information which [the accused infringer] must turn over to [the patentee] include (a) attorney-client communications with any counsel on the subject of the opinion or advice on which [the accused infringer] relies; (b) work product communicated to [the accused infringer]

²⁵³ *Beck Sys., Inc. v. Managesoft Corp.*, No. 05-C-2036, 2006 WL 2037356, at *7 (N.D. Ill. July 14, 2006).

on that same subject: (c) work product which reflects any communication on that subject. Attorney legal opinions, impressions and trial strategy unrelated to the opinion on which [the accused infringer] relies may be redacted from documents to be produced to [the patentee].²⁵⁴

The Federal Circuit *sua sponte* took up a mandamus petition filed by defendant Seagate Technology, L.L.C. in connection with *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 106 (S.D.N.Y. 2004).²⁵⁵ The parties were ordered to address the following issues:

(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? *See In re EchoStar Communication Corp.*, 448 F.3d 1294 (Fed. Cir. 2006). (2) What is the effect of any such waiver on work-product immunity? (3) Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?²⁵⁶

A substantial volume of amicus briefing is anticipated in the Seagate case. For example, on February 12, 2007, the American Bar Association House of Delegates passed the following resolutions in anticipation of filing an ABA amicus brief:

RESOLVED, That the American Bar Association supports the principle that a party's assertion of the advice-of-counsel defense to a charge of willful patent infringement does not waive the attorney-client privilege with respect to communications with that party's trial counsel, so long as such trial counsel is not the same counsel who provided the opinion upon which the accused infringer relies;

FURTHER RESOLVED, That the American Bar Association supports the principle that a party's assertion of the advice-of-counsel defense to a charge of willful patent infringement does not waive the work product privilege of that party's trial counsel, so long as such trial counsel is not the same counsel who provided the opinion upon which the accused infringer relies;

FURTHER RESOLVED, That the American Bar Association supports the principle that a legally consistent standard for a patent infringer to be liable for enhanced, or punitive, damages under 35 U.S.C. § 284 is "reprehensible conduct" in accord with general Supreme Court standards for punitive damages; and

²⁵⁴ *Informatica Corp. v. Business Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 965 (N.D. Cal. July 14, 2006). The magistrate's order was confirmed by the district court in *Informatica Corp. v. Business Objects Data Integration, Inc.*, 2006 U.S. Dist. LEXIS 58976 (N.D. Cal. Aug. 19, 2006).

²⁵⁵ *In re Seagate Tech., L.L.C.*, Misc. No. 830, 2007 WL 196403 (Fed. Cir. Jan. 26, 2007); *see infra* note 291 and accompanying text.

²⁵⁶ *In re Seagate*, 2007 WL 196403, at *1.

FURTHER RESOLVED, That the American Bar Association supports replacement of the affirmative duty of due care standard set forth in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), with the foregoing reprehensible conduct standard.²⁵⁷

Prior to *Echostar*, some courts had considered a temporal limit on the scope of the waiver. These courts limited the waiver of opinion counsel's communications and/or work product relating to the opinion of counsel to the time period prior to the filing of the lawsuit.²⁵⁸ This temporal limitation was motivated by a desire to protect trial strategy and planning and also to protect communications between trial counsel and the accused infringer.²⁵⁹ It was also noted that the reliance on an opinion-of-counsel defense for willfulness would "logically" depend upon opinions obtained before the lawsuit was filed.²⁶⁰ Without such limitation, the waiver would "inappropriately chill communications between trial counsel and client and would impair trial counsel's ability to give the client candid advice regarding the merits of the case."²⁶¹ A few courts did not give a reason for the temporal limitations on the waiver of privilege.²⁶²

Other courts justified temporal limitations because willful infringement depends on the accused infringer's state of mind at the time of the infringement—documents and information outside this time frame are not relevant. Thus, documents created after litigation began are not relevant, and waiver of privilege should not apply to such documents.²⁶³ In so holding, one court found that the infringement at issue was a one-time act, so later developments that may have modified opinion counsel's original assessment were not discoverable.²⁶⁴ However, most cases do not involve a single act of infringement, and thus courts circumvented this reasoning. These courts allowed the waiver of privilege to continue beyond the time of plaintiff's filing of suit when infringement is alleged to have continued beyond that point. There was "no automatic cut-off of discovery" at the beginning of the suit if the plaintiff alleges continuing infringement.²⁶⁵ Likewise, when an accused infringer relying on an

²⁵⁷ Op. A.B.A. Section of Intellectual Prop. Law 302 (2007).

²⁵⁸ See, e.g., *Douglas Press, Inc. v. Universal Mfg. Co.*, No. 01-C-2565, 2003 WL 21361731, at *3 (N.D. Ill. June 11, 2003); *Dunhall Pharms., Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1206 (C.D. Cal. 1998); *Electro Sci. Indus., Inc. v. General Scanning, Inc.*, 175 F.R.D. 539, 546 (N.D. Cal. 1997); *Motorola, Inc. v. Vosi Techs., Inc.*, No. 01-C-4182, 2002 WL 1917256, at *2 (N.D. Ill. Aug. 19, 2002).

²⁵⁹ *Dunhall*, 994 F. Supp. at 1206; *Electro Sci.*, 175 F.R.D. at 546 ("[D]ocuments with more direct tactical sensitivity, like outlines of possible questions for deponents or trial witnesses, or compilations of materials to be used to support an argument to the jury, would remain off limits.").

²⁶⁰ *Douglas Press*, 2003 WL 21361731, at *3 (citing *Motorola*, 2002 WL 1917256, at *2).

²⁶¹ *Id.* at *2 (quoting *Motorola*, 2002 WL 1917256, at *2).

²⁶² *Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 364–65 (D. Mass. 1995); *Carl Zeiss Jena GmbH v. Bio-Rad Labs, Inc.*, No. 98 Civ. 8012-RCC-DFE, 2000 WL 1006371, at *2 (S.D.N.Y. July 19, 2000) (citing *Dunhall*, 994 F. Supp. at 1206); *Kelsey-Hayes Co. v. Motor Wheel Corp.*, 155 F.R.D. 170, 172 (W.D. Mich. 1991).

²⁶³ *Hoover Universal, Inc. v. Graham Packaging Corp.*, 44 U.S.P.Q.2d 1596, 1598 (C.D. Cal. 1996).

²⁶⁴ *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, 149 F. Supp. 2d 659, 661–63 (S.D. Ind. 2001).

²⁶⁵ *Applied Telematics, Inc. v. Sprint Corp.*, No. 94-CV-4603, 1995 WL 567436, at *5 (E.D. Pa. Sept. 21, 1995); *Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003); *Verizon*

advice-of-counsel defense makes substantial changes to its activities after filing suit, the court could order the accused infringer to disclose the legal advice it received that led to the changes.²⁶⁶ For other courts, the reason for allowing discovery of documents and information created after the filing of suit is simply that “the better authority requires that *all* communications, both pre and post-complaint filing, should be disclosed.”²⁶⁷

C. Pre-Echostar Cases in Waiver of Uncommunicated Work-Product

Prior to *Echostar*, courts differed on the extent to which reliance on the advice-of-counsel defense waived protection of work product known to opinion counsel, but not communicated to the accused infringer.²⁶⁸ Courts generally made a distinction between waiver of attorney-client privilege and waiver of work-product immunity as it relates to opinion counsel’s thoughts and impressions of the case.²⁶⁹ However, the courts were split as to the scope of the waiver of work-product protection. The point of departure was principally whether uncommunicated work product was directly at issue when determining willfulness. In one line of cases, the courts believed that all of the documents and information containing work product of opinion counsel, whether or not communicated to the accused infringer, affected the drafting of the opinion and also the accused infringer’s state of mind while carrying on allegedly infringing activities. Therefore, discovery of anything related or referring to the opinion, including work product, was allowed. In the other line of cases, the courts believed that only documents and information actually communicated to the accused infringer affected the accused infringer’s state of mind, and thus, limited the scope of discovery to documents and information actually communicated to or known by the accused infringer.

1. Broad Scope of Waiver: No Communication Needed

The case often cited as the leading case for a broad scope of waiver as to all work product, regardless of communication to the accused infringer, was *Mushroom Associates v. Monterey Mushroom, Inc.*²⁷⁰ from the Northern District of California. The court held that “[a]ll documents containing work product relevant to the infringement issue must be produced.”²⁷¹ The reason was that “[t]he work product is

Cal., Inc. v. Ronald A. Katz Tech. Licensing, 266 F. Supp. 2d 1144, 1148–49 (C.D. Cal. 2003) (citing *Akeva*, 243 F. Supp. 2d, at 423).

²⁶⁶ Bristol Myers Squibb Co. v. Rhone Poulenc Rorer, Inc., 52 U.S.P.Q.2d 1909–10 (S.D.N.Y. 1999).

²⁶⁷ Chiron Corp. v. Genentech, Inc., 179 F. Supp. 2d 1182, 1188 (E.D. Cal. 2001).

²⁶⁸ Micron Separations, Inc. v. Pall Corp., 159 F.R.D. 361, 363 n.4 (D. Mass. 1995).

²⁶⁹ Greene Tweed of Del., Inc. v. DuPont Dow Elastomers, L.L.C., 202 F.R.D. 418, 423 (E.D. Pa. 2001) (pointing out an important distinction between waiver of attorney-client privilege and work product immunity). The party asserting attorney-client privilege has the burden of proving that privilege applies, the party seeking to discover work product has the burden of proving waiver. *Id.*

²⁷⁰ 24 U.S.P.Q.2d 1767 (N.D. Cal. 1992).

²⁷¹ *Id.* at 1771.

directly at issue.”²⁷² The patentee had a compelling need for all work product documents and information related to the opinion of counsel in order to fully respond to the advice-of-counsel defense.²⁷³ The court found it important for the patentee to understand what information was known by opinion counsel at the time the opinion was given so as to evaluate whether the accused infringer’s reliance on the opinion was reasonable.²⁷⁴ The court also granted access to test results used by opinion counsel even though the patentee could have run its own tests concerning the patent, since the relevant test results were those known to opinion counsel at the time the opinion was given.²⁷⁵ Another court noted that access to documents and information containing uncommunicated work product yielded the “fullest, most accurate record possible.”²⁷⁶

Courts following *Mushroom* found that work product not communicated to the accused infringer might nonetheless be “highly probative” of the accused infringer’s state of mind.²⁷⁷ The court in *Electro Scientific Industries, Inc. v. General Scanning, Inc.*²⁷⁸ explained:

Documents in the files of [opinion] counsel might be highly probative [on the issues] of whether [the client] in fact received additional communications from counsel about the issues addressed in the opinion letter, and . . . whether any such additional communications included views, information, or analysis that w[ere] in any material way different from the views, information or analysis in that letter.

. . . It is possible that documents in opinion counsel’s work product file could reflect very different analyses and conclusions than [those that were] set forth in the one disclosed letter. The fact that the analyses and conclusions in the lawyer’s private file were clearly at odds with the content of the disclosed opinion would tend to support an inference that there were additional communications between client and [opinion] counsel and that in those communications the client received opinions that were not consistent with the views expressed in the letter.

²⁷² *Id.*

²⁷³ *Id.*; *Chiron Corp. v. Genentech, Inc.*, 179 F. Supp. 2d 1182, 1189 (E.D. Cal. 2001); *Saint-Gobain/Norton Indus. Ceramics Corp. v. Gen. Elec. Co.*, 884 F. Supp. 31, 34 (D. Mass. 1995); *Mosel Vitelic Corp. v. Michron Tech., Inc.*, 162 F. Supp. 2d 307, 312 (D. Del. 2000).

²⁷⁴ *Matsushita Elecs. Corp. v. Loral Corp.*, No. 92-Civ-5461, 1995 WL 527640, at *2 (S.D.N.Y. Sept. 7, 1995).

²⁷⁵ *Mushroom Assocs.*, 24 U.S.P.Q.2d at 1771.

²⁷⁶ *Chiron*, 179 F. Supp. 2d at 1189.

²⁷⁷ *Novartis Pharms. Corp. v. Eon Labs Mfg., Inc.*, 206 F.R.D. 396, 398 (D. Del. 2002); *Mosel Vitelic*, 162 F. Supp. 2d at 312; *Mushroom Assocs.*, 24 U.S.P.Q.2d at 1771; *Dunhall Pharms. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1205 (C.D. Cal. 1998); *Verizon Cal., Inc. v. Ronald A. Katz Tech. Licensing, L.P.*, 266 F. Supp. 2d 1144, 1149 (C.D. Cal. 2003).

²⁷⁸ 175 F.R.D. 539 (N.D. Cal. 1997).

... [I]t would be ... irrational to assume that there could be no relationship between what [opinion] counsel really thought (as reflected in [their] private papers) and what [opinion counsel] in fact communicated to [the] client. In this important sense, evidence about what really was in the lawyer's mind could be quite relevant to what really was in the client's mind.²⁷⁹

2. *Narrow Scope of Waiver: Communication Needed*

The above reasons did not persuade the courts that followed *Thorn EMI North America, Inc. v. Micron Technology, Inc.*²⁸⁰ These decisions have continuing viability as *Echostar* basically adopted their reasoning. Therefore, the individual facts and precise scopes of waivers ordered remain applicable to future cases. The courts finding a narrow scope of waiver allowed discovery into privileged documents used by opinion counsel in rendering an opinion only when such documents had been communicated to the accused infringer.²⁸¹ This line of cases also found that when the accused infringer used the advice-of-counsel defense, waiver of privileged and protected documents occurs because of fairness considerations.²⁸² However, these courts believed that “[t]he facts of consequence to the determination of a claim of willful infringement relate 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.”²⁸³

In *Chimie v. PPG Industries, Inc.*,²⁸⁴ the court followed *Thorn* and explained that allowing discovery of work product not communicated to the client would only encourage an unscrupulous lawyer to keep dishonest files, while the truth is driven deeper into the shadows.²⁸⁵ In *Simmons, Inc. v. Bombardier, Inc.*,²⁸⁶ the court denied a motion to compel protection of draft opinion letters not sent to the client even though opinion counsel’s produced time sheets suggested numerous conversations between counsel and accused infringer before the final opinion letters were sent.²⁸⁷

²⁷⁹ *Id.* at 545.

²⁸⁰ 837 F. Supp. 616 (D. Del. 1993).

²⁸¹ *Id.* at 622.

²⁸² See *Thermos Co. v. Starbucks Corp. & Pac. Mkt., Inc.*, No. 96-C-3833, 1998 WL 781120, at *4 (N.D. Ill. Nov. 3, 1998).

²⁸³ *Thorn*, 837 F. Supp. at 622.

²⁸⁴ 218 F.R.D. 416 (D. Del. 2003).

²⁸⁵ *Id.* at 420. The court also ruled that reliance on the advice-of-counsel defense does not waive the privilege as to information or opinions regarding foreign counterpart patents to the patent-in-suit. *Id.* at 418.

²⁸⁶ 221 F.R.D. 4, 10–11 (D.D.C. 2004).

²⁸⁷ *Solomon v. Kimberly-Clark Corp.*, No. 98-C-7598, 1999 WL 89570, at *3 (N.D. Ill. Feb. 12, 1999) (following *Thorn*); see also *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1199–2000 (W.D. Mich. 1997); *Thermos*, 1998 WL 781120, at *4; *McCormick-Morgan, Inc. v. Teledyne Indus., Inc. (McCormick D)*, 134 F.R.D. 275, 280, *rev'd on other grounds*, 765 F. Supp. 611 (N.D. Cal. 1991); *AK Steel Corp. v. Sollac & Ugine*, 234 F. Supp. 2d 711, 716 (S.D. Ohio 2002) (holding waiver of privilege in advice-of-counsel defense should not waive attorney work-product protection); *Patent Holding Co. v. TG (USA) Corp.*, 46 U.S.P.Q.2d 1566, 1569 (E.D. Mich. 1997).

These courts reasoned that the advice-of-counsel defense placed the accused infringer's state of mind at issue.²⁸⁸ *Thorn* and its progeny focus on what the accused infringer knew about counsel's independence and competence, the basis of counsel's opinion, and the accused infringer's belief as to the reasonableness and reliability of such opinion.²⁸⁹ Accordingly, protection is not waived as to work product generated by opinion counsel that is not disclosed to the accused infringer.²⁹⁰

The courts have a "duty to strike a reasonable balance between preserving the attorney-client privilege (or work product protection) and allowing a necessary exploration of bias."²⁹¹ To explore the state of mind of the accused infringer during infringement, the scope of waiver should be "broad" to the extent necessary to investigate the accused infringer's state of mind.²⁹² In *BASF Aktiengesellschaft v. Reilly Industries, Inc.*,²⁹³ the court ordered production of all pre- and post-filing attorney-client communications and work product communicated to the client.²⁹⁴ The accused infringer's counsel complained that this order, plus the requirement that a privilege log be produced for pre- and post-filing documents, would likely put trial counsel in the position of becoming a fact witness.²⁹⁵ The court was unsympathetic, noting the accused infringer brought the problem on itself by using the same firm as both trial and opinion counsel.²⁹⁶ The court justified its decision to include post-filing communications and work product in the waiver not because the patentee alleged continuing infringement, but because the accused infringer proffered an opinion after the filing of the lawsuit that arguably contradicted an earlier opinion.²⁹⁷

The *Thorn* line of cases allowed discovery of information that the accused infringer possessed regarding the subject matter of the opinion.²⁹⁸ Discoverable information included the privately held views and information of the accused infringer regarding validity, enforceability, and/or infringement, or private reactions to the opinions (i.e., information not shared with lawyers).²⁹⁹ However, the courts found that discovery of protected or privileged documents not disclosed to the accused infringer would not aid in the exploration of the accused infringer's state of mind,

²⁸⁸ *McCormick I*, 134 F.R.D. at 280.

²⁸⁹ *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 219 (D. Mass. 2000). The *Nitinol* court also theorized that the client in *Cordis Corp. v. SciMed Life Systgms, Inc.*, 980 F. Supp. 1030 (D. Minn. 1997), knew of the factual basis for its counsel's opinion, although the *Cordis* opinion does not directly support this assumption. *Nitinol*, 135 F. Supp. 2d at 218–19. The *Nitinol* court also cautioned that the fact that an alleged infringer did not have information about the factual basis of counsel's opinion may, in and of itself, be relevant to whether the infringer's reliance on the opinion was proper. *Id.* at 219 n.11.

²⁹⁰ *Steelcase*, 954 F. Supp. at 1199–1200.

²⁹¹ *Solomon*, 1999 WL 89570, at *3.

²⁹² *Steelcase*, 954 F. Supp. at 1199.

²⁹³ 283 F. Supp. 2d 1000 (D. Ind. 2003).

²⁹⁴ *Id.* at 1008.

²⁹⁵ *Id.* at 1007.

²⁹⁶ *Id.*

²⁹⁷ *Id.* at 1008.

²⁹⁸ *See, e.g., Allergan Inc. v. Pharmacia Corp.*, No. Civ.A.01-141-SLR, 2002 WL 1268047, at *2 (D. Del. May 17, 2002).

²⁹⁹ *McCormick-Morgan, Inc. v. Teledyne Indus., Inc. (McCormick I)*, 134 F.R.D. 275, 280 (N.D. Cal. 1991), *rev'd on other grounds*, 765 F. Supp. 611 (N.D. Cal. 1991).

and thus, does not discharge the duty to strike a reasonable balance.³⁰⁰ Therefore, the courts in this line of cases generally found that the accused infringer waived attorney-client privilege and work-product immunity only as to documents and information in the accused infringer's possession, or that the accused infringer had received relating to the subject matter of the opinion of counsel on which it relied.³⁰¹

To further compromise between the proper inquiry in willful infringement cases and the protection of work product, some courts have allowed discovery of work product communicated to the accused infringer containing conclusions that contradict or cast doubt on prior opinions obtained by the accused infringer.³⁰² This waiver usually does not include communications received by the accused infringer from its current trial counsel if such documents contain the "mental impressions, conclusions, opinion, or legal opinions, or legal theories" of current trial counsel and are consistent with the opinion letter.³⁰³

In *Beneficial Franchise*, the court held that privilege was waived with respect to all work product of opinion counsel and to any work product of trial counsel that casts doubt on the opinions, regardless of whether such work product was communicated to the client.³⁰⁴ The same court later adopted a hybrid solution in *Lakewood Engineering & Manufacturing Co. v. Lasko Products, Inc.*,³⁰⁵ blending the holdings of *Thermos* and *Beneficial Franchise* to formulate an order that required disclosure of trial counsel work product that cast doubt on the opinions, regardless of whether the work product was communicated to the client, but with the rather large loophole that if trial counsel's opinion would not be relied upon at trial, there was no need to disclose such opinions.³⁰⁶ The *Lasko* court found the waiver to include work product such as the "attorneys' thought processes, notes, mental impressions, or materials" where the information "contradicts or casts doubt on the opinions that have been disclosed, and *regardless of whether these materials were communicated to [the accused infringer.]*"³⁰⁷ *Echostar* certainly calls into question the viability of the *Beneficial Franchise* and *Lasko* holdings, but it is not inconceivable that a district court could develop a distrust of an accused infringer's opinion counsel's good

³⁰⁰ *Solomon v. Kimberly-Clark Corp.*, No. 98-C-7598, 1999 WL 89570, at *3 (N.D. Ill. Feb. 12, 1999).

³⁰¹ *Allergan Inc.*, 2002 WL 1268047, at *2; *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1199-1200 (W.D. Mich. 1997); *McCormick I*, 134 F.R.D. at 280-83.

³⁰² *Thermos Co. v. Starbucks Corp. & Pac. Mkt., Inc.*, No. 96-C-3833, 1998 WL 781120, at *4-5 (N.D. Ill. Nov. 3, 1998).

³⁰³ *Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 363, 365 (D. Mass. 1995); *VLT, Inc. v. Artesyn Techs., Inc.*, 198 F. Supp. 2d 56, 58 (D. Mass. 2002) (adopting the principle set forth in *Micron*). Allowing communications relating to litigation strategy would "completely eviscerat[e] the concept of 'subject matter' waiver and [offend] the law's mandate to construe the scope of a waiver narrowly." *McCormick I*, 134 F.R.D. at 282.

³⁰⁴ *Beneficial Franchise Co. v. Bank One, N.A.*, 205 F.R.D. 212, 218 (N.D. Ill. 2001).

³⁰⁵ No. 01-C-7867, 2003 WL 1220254 (N.D. Ill. Mar. 14, 2003).

³⁰⁶ *Id.* at *10.

³⁰⁷ *Id.*; see also *Douglas Press, Inc. v. Universal Mfg. Co.*, No. 01-C-2565, 2003 WL 21361731, at *2 (N.D. Ill. June 11, 2003) (following the reasoning of *Beneficial Franchise* and *Lasko*, the court held the defendant did not have to produce its trial counsel's opinion since it did not and would not rely on the trial counsel's opinion). But see *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 106 (S.D.N.Y. 2004) (favoring a broad waiver when opinion counsel is trial counsel and a narrow waiver when opinion counsel is independent counsel).

faith disclosure of work product actually communicated to his client to the point where such an order would be contemplated.

Echostar and pre-*Echostar* cases that found a narrow scope of waiver reason that information obtained by opinion counsel but not made known to the accused infringer is irrelevant to the issue of willful infringement and, thus, not discoverable “[u]nless it can be established that the defendant knew of the factual basis for counsel’s opinion, such work product should not have to be produced.”³⁰⁸ As stated the work product waiver “extends only so far as to inform the court of the *infringer’s* state of mind.”³⁰⁹ Accordingly, *Echostar* also includes within the scope of the waiver work product that reflects communications with the accused infringer, regardless of whether the work product itself was actually communicated to the accused infringer.³¹⁰

3. Unique Scopes of Waiver

Although the majority of the courts followed one of the above two lines of cases, and presumably will now follow the narrow scope of waiver cases in light of *Echostar*, some courts have deviated in the past in ways that may still be applicable after *Echostar*. These courts crafted orders for production of privileged materials on a case-by-case basis, keeping in mind the principles of fairness, the deterrence that arises if waiver is too broad, and the totality-of-the-circumstances standard used in determining willfulness.³¹¹

In *American Standard Inc. v. Pfizer, Inc.*,³¹² the court found that there was no waiver of privilege because the opinion letter was not privileged.³¹³ The opinion letter did not reveal a confidential communication. For example, the opinion letter was not signed, it was not addressed to anyone, it did not contain a letterhead or other indications about its source, it did not discuss any actions taken by the accused infringer, nor did it recommend any action for the accused infringer to take. The opinion letter “merely concludes that the . . . patent is invalid.”³¹⁴

Another court has distinguished between an opinion letter that is written to a client of opinion counsel and a letter written to third-party customers. In *Aspex Eyewear, Inc. v. E’Lite Optik, Inc.*³¹⁵ the accused infringer produced a letter its opinion counsel had written to the accused infringer’s customers.³¹⁶ The non-privileged letter explained that the accused infringer’s product did not infringe the plaintiff’s patent and that in the event the customers were sued for patent infringement, the accused infringer would indemnify them.³¹⁷ The court found that

³⁰⁸ *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 218 (D. Mass. 2000).

³⁰⁹ *In re Echostar Comm’ns Corp.*, 448 F.3d 1294, 1303 (Fed. Cir. 2006) (emphasis added).

³¹⁰ *Id.* at 1304.

³¹¹ See *Kelsey-Hayes Co. v. Motor Wheel Corp.*, 155 F.R.D. 170, 172 (W.D. Mich. 1991); *Greene Tweed of Del., Inc. v. DuPont Dow Elastomers, L.L.C.*, 202 F.R.D. 418, 420 (E.D. Pa. 2001).

³¹² 828 F.2d 734 (Fed. Cir. 1987).

³¹³ *Id.* at 745–46.

³¹⁴ *Id.* at 745.

³¹⁵ No. Civ.A.3:98-CV-2996-D, 2002 WL 1592606 (N.D. Tex. July 17, 2002).

³¹⁶ *Id.* at *3.

³¹⁷ *Id.*

statements in the letter that the product did not infringe plaintiff's patent did not reveal any work product or confidential information because opinion counsel did not discuss the differences between the products or the file history or prior art of the patent. Thus, the letter did not waive either the attorney-client privilege or work-product immunity.³¹⁸ Even if courts follow this reasoning, it is unclear whether such a letter would be effective in defending against willful infringement because opinion letters containing only conclusory statements without further analysis normally do not constitute competent opinions of counsel.³¹⁹

Still another court formulated a different compromise between the broad and narrow scopes of waiver. In *Electro Scientific Industries, Inc. v. General Scanning, Inc.*,³²⁰ the court ordered the accused infringer to disclose some documents protected by work-product immunity that had not been communicated to the accused infringer, but it stated that only outside counsel for the plaintiff would have access to the documents.³²¹ These documents included those relating to the analyses contained in the opinion. Documents prepared after the filing of the lawsuit were not ordered to be disclosed.³²² The court would then allow outside counsel to use those materials if the materials "lend meaningful support to an inference that [the accused infringer] in fact received opinions or information that are materially different from the opinions or information in the one disclosed opinion letter."³²³ This rationale struck a compromise between the interests of the accused infringer, who claimed that it did not have any inconsistent opinions, and the plaintiff, for whom fairness dictated a chance to question that claim.³²⁴ It is unlikely that *Electro Scientific* remains good law after *Echostar*; however, as stated above, it is possible that a court's distrust of the accused infringer's representations would warrant such an order.

Before discovery of the opinion and communications or other documents regarding the opinion can be allowed, the accused infringer must first decide to rely on the opinion as a defense.³²⁵ If an accused infringer has not indicated that it will rely on an opinion of counsel as a defense to willful infringement or has essentially denied that it will use such a defense, "there is no discovery to be ordered with regard to pre-complaint opinion letters."³²⁶ The indication by the accused infringer that it will rely on an advice-of-counsel defense also sets the bounds of discovery since the scope of discovery depends on the identity and scope of each advice-of-counsel defense the accused infringer raises.³²⁷ However, accused infringers cannot wait until after

³¹⁸ *Id.* at *4.

³¹⁹ See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 829 (Fed. Cir. 1992) ("A written opinion may be incompetent on its face by reason of its containing conclusory statements without discussion of facts or obviously presenting only a superficial or off-the-cuff analysis.") (citing *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983).

³²⁰ 175 F.R.D. 539 (N.D. Cal. 1997).

³²¹ *Id.* at 546–47.

³²² *Id.*

³²³ *Id.* at 547.

³²⁴ *Id.*

³²⁵ *In re Buspirone Patent Litig.*, 210 F.R.D. 43, 52–53 (S.D.N.Y. 2002); *Solaia Tech. LLC, v. Jefferson Smurfit Corp.*, No. 01-C-6641, 2002 WL 1822917, at *1 (N.D. Ill. Aug. 7, 2002).

³²⁶ *Solaia*, 2002 WL 1822917, at *2.

³²⁷ *Buspirone Litig.*, 210 F.R.D. at 52–53.

the discovery period to indicate their reliance on opinions of counsel. Such behavior will be sanctioned by the courts without hesitation.³²⁸

The cases cited above illustrate the many possible ways a court may rule on the scope of waiver of attorney-client privilege and work-product immunity when an advice-of-counsel defense is employed. One reason for the broad spectrum of outcomes is that willful infringement is determined by weighing the totality of the circumstances, and thus, courts “fashion their orders compelling the production of documents on a case by case basis consistent with the principles of fundamental fairness.”³²⁹ Although *Echostar* answers many questions on waiver of uncommunicated work product, the scope of the subject matter waiver and the scope of temporal waiver remain unsettled, as does the question of whether there is a distinction between the communications and work product of trial counsel versus opinion counsel.

D. Bifurcation and Stay of Discovery as Alternatives

Although the attorney-client privilege is thought to be worthy of “maximum legal protection,” the above discussion on the waiver of privilege in willful infringement cases shows how the privilege is often undermined.³³⁰ In fact, it is recognized that the current patent litigation strategy usually follows this path:

[T]he patent owner opens with a claim for willful infringement; the alleged infringer answers by denying willful infringement and asserts good faith reliance on advice of counsel as an affirmative defense; then the owner serves contention interrogatories and document requests seeking the factual basis for that good faith reliance defense and the production of documents relating to counsel’s opinion; the alleged infringer responds by seeking to defer responses and a decision on disclosure of the opinion; the owner counters by moving to compel; and the alleged infringer moves to stay discovery and for separate trials.³³¹

It is unlikely that *Knorr-Bremse*³³² will alter this pattern in cases where the accused infringer has an opinion it intends to rely upon at trial. A possible effect of *Knorr-Bremse* could be that judges give less consideration to bifurcation, stays of discovery, and serial trials because the opinion holder can simply claim privilege without suffering an adverse inference. Further, there is no longer the fear that an adverse inference as to the content of the opinion could taint other phases of the trial,

³²⁸ *Solaia*, 2002 WL 1822917, at *2 (asserting that if the Court receives “any evidence that [the defendant] was merely waiting until after the close of discovery to indicate its plan to rely on any of its attorneys’ opinions, [the Court] will not hesitate to sanction it for such behavior”).

³²⁹ *Greene, Tweed of Del., Inc. v. DuPont Dow Elastomers, L.L.C.*, 202 F.R.D. 418, 420 (E.D. Pa. 2001); see also *Kelsey-Hayes Co. v. Motor Wheels Corp.*, 155 F.R.D. 170, 172 (W.D. Mich. 1991).

³³⁰ *Johns Hopkins Univ. v. CellPro (Johns Hopkins I)*, 160 F.R.D. 30, 34 (D. Del. 1995) (citing *Upjohn Co. v. U.S.*, 449 U.S. 383 (1981)).

³³¹ *Id.*

³³² *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

such as liability. Given the convincing evidentiary weight of a competent opinion of counsel and testimony from opinion counsel, it is foreseeable that producing an opinion to rely upon at trial will continue to be highly desirable even in light of the accompanying uncertain scope of waiver. Additionally, the ability of the patentee to present evidence seeking an informal adverse inference may be present to some degree. Thus, the accused infringer will still be faced with producing an opinion that might reveal trial strategy for the liability phase, conflict with trial strategy, or be otherwise problematic. Bifurcation and serial trials continue to be useful tools for carving out and simplifying the complex, but usually separate issues of liability and damages in patent cases. However, the general sense in the patent litigation community, as evidenced by the amicus briefs in *Knorr-Bremse*, is that judges are highly reluctant to employ the procedural devices.

1. Bifurcation of Trial

To ease the prejudice to the accused infringer when revealing privileged subject matter in the hope of avoiding a finding of willful infringement, the Federal Circuit has suggested that “[t]rial courts thus should give serious consideration to a separate trial on willfulness whenever the particular attorney-client communications, once inspected by the Court *in camera*, reveal that the accused infringer is indeed confronted with this dilemma.”³³³

Another reason given for bifurcation is that the issues of liability and damages in patent cases, even without willfulness issues, are complex.³³⁴ Issues such as the validity of the patent often must be decided before considering damages.³³⁵ “However, the mere status of being a patent case does not create a presumption or inference in favor of bifurcation and separate trials.”³³⁶

Even though the Federal Circuit has suggested bifurcating trial when willfulness is at issue in a patent infringement case, many courts continue to balance the costs of bifurcation against the benefits.³³⁷ This trend will continue now that the adverse inference is no longer supported in the law. Further, “the actual decision reached in [other patent] cases is of limited value because only the specific facts and

³³³ *F & G Scrolling Mouse, L.L.C. v. IBM Corp.*, 190 F.R.D. 385, 392 n.24 (M.D.N.C. 1999). It is rare that a court will allow willfulness to be separated out by itself. *Id.* Rather, bifurcation in patent cases usually separates the issues of willfulness and damages from liability. *Id.* at 391; *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991); *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572 (Fed. Cir. 1988) (allowing for bifurcation may reduce any prejudice the accused infringer may have relating to disclosure of privileged information); *F & G Scrolling Mouse*, 190 F.R.D. at 391.

³³⁴ *F & G Scrolling Mouse*, 190 F.R.D. at 387; *Princeton Biochemicals, Inc. v. Beckman Instruments, Inc.*, 180 F.R.D. 254, 256 (D.N.J. 1997).

³³⁵ *Amsted Indus. Inc. v. Nat'l Castings Inc. (Amsted I)*, 16 U.S.P.Q.2d 1737, 1739 (N.D. Ill. 1990); *F & G Scrolling Mouse*, 190 F.R.D. at 387.

³³⁶ *F & G Scrolling Mouse*, 190 F.R.D. at 387; see also *Laitram Corp. v. Hewlett-Packard Co.*, 791 F. Supp. 113, 114 (E.D. La. 1992). Trying the damages issue alone can be time-consuming and expensive. *F & G Scrolling Mouse*, 190 F.R.D. at 387.

³³⁷ See *Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 618, 625 (N.D. Ill. 2000) (“Far from a mandate to order separate trials whenever the issue of willfulness arises, the Federal Circuit advises careful consideration and separate trials in *appropriate* cases, which is precisely what this Court is doing.”).

circumstances of the case before the court can provide the answer to the question of whether the advantages of bifurcation outweigh the disadvantages.”³³⁸ The mere assertion of a purported advice-of-counsel dilemma is not a sufficient showing for bifurcation.³³⁹ Courts “must balance the equities in ruling on a motion to bifurcate.”³⁴⁰ The extent of prejudice resulting from an advice-of-counsel defense is not the same in each case. Rather, it “depends on the nature of the advice sought, the information provided to obtain the advice, and the advice given pre-infringement to the defendant.”³⁴¹ Therefore, the party seeking bifurcation (usually the party seeking to prevent waiver of attorney-client privileged materials) has the burden of proving that bifurcation is preferable.³⁴²

The Federal Circuit has suggested that prior to deciding whether to bifurcate the trial, the court should first conduct an in camera inspection of the documents to determine whether prejudice will arise if the opinion is produced before the willfulness stage of the proceeding.³⁴³ Court decisions range from holding that such an inspection is mandatory to holding that the inspection is not needed.³⁴⁴

In weighing the benefits and costs of bifurcation of the willfulness issue, the majority of courts have decided against bifurcation, even when the accused infringer might be prejudiced by production of the opinion before the willfulness stage. As in other types of cases, bifurcation in patent cases “is the exception, not the rule.”³⁴⁵ The courts in favor of bifurcation have “shifted the focus of most bifurcation motions in patent cases from a technique to reduce the inefficiencies in litigation by trying issues separately to a way to minimize potential prejudice in a single trial by staying discovery.”³⁴⁶ The courts refusing to bifurcate the trial often cite concerns of inefficiency and prejudice that may result from delays caused by bifurcation.³⁴⁷ Bifurcation is not allowed when the accused infringer “has not [met its] burden of proving that the bifurcation will promote judicial economy and avoid inconvenience

³³⁸ *F & G Scrolling Mouse*, 190 F.R.D. at 387.

³³⁹ *Laitram Corp.*, 791 F. Supp. at 117 n.2; see also *F & G Scrolling Mouse*, 190 F.R.D. at 392.

³⁴⁰ *Laitram Corp.*, 791 F. Supp. at 115.

³⁴¹ *Patent Holding Co. v. TG (USA) Corp.*, 46 U.S.P.Q.2d 1566, 1568 (E.D. Mich. 1997).

³⁴² *Real*, 195 F.R.D. at 620; *F & G Scrolling Mouse*, 190 F.R.D. at 388; *IPPV Enters. v. Cable/Home Comm’n Corp.*, 26 U.S.P.Q.2d 1714, 1717 (S.D. Cal. 1993); *Spectra-Physics Lasers, Inc. v. Uniphase Corp.*, 144 F.R.D. 99, 101 (N.D. Cal. 1992).

³⁴³ *F & G Scrolling Mouse*, 190 F.R.D. at 391; *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991).

³⁴⁴ See *F & G Scrolling Mouse*, 190 F.R.D. at 392 (stating that the materials must be presented for an in camera inspection and the extent of the prejudice shown by specific facts); *NeoRx Corp. v. Immunomedics, Inc.*, 28 U.S.P.Q.2d 1395, 1396 (D.N.J. 1993) (remanding the case for magistrate’s failure to inspect the documents in camera before ruling on bifurcation, finding this procedure contemplated by the *Quantum* court); *Patent Holding*, 46 U.S.P.Q.2d at 1569 (adopting the court’s suggestion to inspect the documents in camera before deciding whether bifurcation is necessary); cf. *IPPV Enters.*, 26 U.S.P.Q.2d at 1716 (“[T]he Federal Circuit has specifically stated that such in camera review is not required.”); *Home Elevators, Inc. v. Millar Elevator Serv. Co.*, 933 F. Supp. 1090, 1092 (N.D. Ga. 1996) (citing *IPPV Enters.*, 26 U.S.P.Q.2d at 1714).

³⁴⁵ *Real*, 195 F.R.D. at 620; *Laitram Corp.*, 791 F. Supp. at 114.

³⁴⁶ *Johns Hopkins Univ. v. CellPro (Johns Hopkins I)*, 160 F.R.D. 30, 34–35 (D. Del. 1995).

³⁴⁷ *Spectra-Physics*, 144 F.R.D. at 101. When the case is tried before a judge instead of a jury, the case for prejudice in revealing privileged information “may well be unfounded.” *Id.*

or prejudice to the parties.”³⁴⁸ Bifurcation was refused when the accused infringer failed to show that bifurcating the trial would result in the efficiencies necessary for the granting of such relief.³⁴⁹ It was also refused when willfulness was found to be “*inextricably* bound to the facts underlying the alleged infringement.”³⁵⁰ It may also be refused when the costs of bifurcation are simply too high.³⁵¹

One court analyzed the following factors in deciding to bifurcate the issues of damages and liability, but not liability and willfulness: (1) the need for voluminous documents to resolve damages; (2) complex infringement issues; (3) multiple patents, infringing products, claims, and counterclaims; and (4) probability that defendant would prevail on the infringement issue.³⁵² Since the case involved two patents, thirteen claims, six competing defendant groups, several affirmative defenses, thousands of highly confidential financial documents, hundreds of witnesses from around the world, and little overlap of liability and damages, the court found bifurcation proper as to liability and damages.³⁵³ The court declined to bifurcate willfulness, instead staying discovery on the opinions until after a decision on dispositive liability motions.³⁵⁴

The courts that have taken the suggestion of the Federal Circuit to bifurcate in willful infringement cases reason that bifurcation is needed to protect against prejudice to the alleged infringer. In *Allergan, Inc. v. Pharmacia Corp.*,³⁵⁵ the court allowed bifurcation for willfulness because the scope of discovery could be prejudicial.³⁵⁶ Other courts allow bifurcation after weighing the various factors usually considered by courts in bifurcation motions and finding a balance in favor of bifurcation.³⁵⁷ These courts, as distinguished from those denying bifurcation after

³⁴⁸ *Id.*; *IPPV Enters.*, 26 U.S.P.Q.2d at 1717 (denying bifurcation on several grounds, including judicial economy, the key factor in the analysis).

³⁴⁹ *Johns Hopkins I*, 160 F.R.D. at 35; *Real*, 195 F.R.D. at 621–23 (denying bifurcation after weighing the usual bifurcation factors such as efficiency and complexity of case).

³⁵⁰ *Home Elevators, Inc. v. Millar Elevator Serv. Co.*, 933 F. Supp. 1090, 1092 (N.D. Ga. 1996) (denying bifurcation due to overlap of issues and judicial economy); *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 216 (D. Mass. 2000) (“many courts have found that the issue of willfulness is inextricably intertwined with issues of liability”); *Kimberly-Clark Corp. v. James River Corp. of Va.*, 131 F.R.D. 607, 609 (N.D. Ga. 1989) (allowing bifurcation for damages issues but not for willfulness issues since willfulness issues are “inextricably bound” to liability issues). Bifurcation has also been refused on the basis of delay. *Id.* *Patent Holding Co. v. TG (USA) Corp.*, 46 U.S.P.Q.2d 1566, 1568 (E.D. Mich. 1997) (commenting that reconvening a second jury to determine willfulness is “cumbersome and inefficient”); *Laitram Corp. v. Hewlett-Packard Co.*, 791 F. Supp. 113, 117 (E.D. La. 1992) (refusing to bifurcate because one trial would be quicker); *Belmont Textile Mach. Co. v. Superba, S.A.*, 48 F. Supp. 2d 521, 526 (W.D.N.C. 1999), *dismissed*, 18 Fed. Appx. 826 (Fed. Cir. 2001) (commenting that bifurcation would “cause greater delay and might complicate the proceedings” while refusing bifurcation on other grounds).

³⁵¹ *THK Am., Inc. v. NSK Co.*, 151 F.R.D. 625, 632–33 (N.D. Ill. 1993). The *THK* court may have also been influenced by the fact that the litigation was between foreign-based parties, a situation where any delay would greatly increase the cost.

³⁵² *William Reber, L.L.C. v. Samsung Elec. Am., Inc.*, 220 F.R.D. 533, 537 (N.D. Ill. 2004).

³⁵³ *Id.* at 538–39.

³⁵⁴ *Id.* at 541–42.

³⁵⁵ No. Civ.A.01-141-SLR, 2002 WL 1268047 (D. Del. May 17, 2002).

³⁵⁶ *Id.* at *2, n.1.

³⁵⁷ *Amsted Indus. Inc. v. Nat’l Castings, Inc. (Amsted II)*, 16 U.S.P.Q.2d 1737, 1739–40 (N.D. Ill. 1990) (allowing bifurcation since the plaintiff was not likely to succeed on the merits, there was not substantial overlap in the evidence, and “prudence counsels in favor of excluding [willfulness

weighing the same factors, often find that considerations in patent infringement suits suggest that bifurcation would serve efficiency concerns.³⁵⁸ While most courts include willfulness in the damages phase, others include willfulness in the liability phase. “[B]ecause willfulness is determined from the totality of the circumstances, it is the reason why some courts prefer to include the issue of willfulness with the liability phase of a bifurcated trial.”³⁵⁹

2. Stay of Discovery

One procedure that is closely related to bifurcation of the trial is staying discovery. Often, the accused infringer moving to bifurcate the willfulness portion of the trial will also move to stay discovery on the documents relating to the advice-of-counsel defense. If bifurcation is allowed, the courts will usually also allow a stay of discovery on willfulness issues.³⁶⁰ The courts often cite the same reasoning when denying a stay of discovery as in refusing to bifurcate the trial: that a stay of discovery is not an efficient solution and delays resolution of the issues.³⁶¹

A few courts have employed unique solutions. In *Patent Holding Co. v. TG (USA) Corp.*³⁶² the court granted defendant’s motion for bifurcation of trial, but denied defendant’s motion for bifurcating discovery.³⁶³ In *Plasmanet, Inc. v. APAX Partners, Inc.*,³⁶⁴ the court addressed only the defendant’s motion to stay discovery

evidence] unless and until” there is first a finding of liability where there is a concern of prejudice); *Avia Group Int’l, Inc. v. Nike, Inc.*, 22 U.S.P.Q.2d 1475, 1477 (D. Or. 1991) (finding no overlap of evidence regarding willfulness and liability issues since intent is irrelevant to the issue of infringement liability and damages).

³⁵⁸ *Princeton Biochemicals Inc. v. Beckman Instruments, Inc.*, 180 F.R.D. 254, 256 (D.N.J. 1997).

³⁵⁹ *THK Am., Inc. v. NSK Co.*, 151 F.R.D. 625, 630 (N.D. Ill. 1993).

³⁶⁰ *See, e.g.*, *Johns Hopkins Univ. v. CellPro (Johns Hopkins I)*, 160 F.R.D. 30, 33 (D. Del. 1995) (citing several patent cases that suggest that an “incidental benefit” of bifurcation is a stay of discovery on willfulness issues); *Allergan*, 2002 WL 1268047, at *2 (allowing bifurcation and a stay of discovery for documents relating to willful infringement); *Avia Group*, 22 U.S.P.Q.2d at 1477–78 (allowing stay of discovery as to enhanced damages and potential award of attorney fees); *Princeton Biochemicals*, 180 F.R.D. at 260 (staying discovery for the same reasons as mentioned for bifurcating trial). *But see THK*, 151 F.R.D. at 633 (denying bifurcation and stay of discovery due to substantial overlap of evidence).

³⁶¹ *Johns Hopkins I*, 160 F.R.D. at 36 (finding that staying discovery on the willfulness issue “builds difficult delays and complications into the case” and is neither a “particularly efficient or effective solution”); *Nitinol Med. Techs., Inc. v. AGA Med. Corp.*, 135 F. Supp. 2d 212, 215 (D. Mass. 2000) (staying of discovery will only serve to further delay the completion of already protracted discovery); *Laitram Corp. v. Hewlett-Packard Co.*, 791 F. Supp. 113, 117 n.2 (E.D. La. 1992) (refusing bifurcation because of delay and inefficiency but refusing a stay of discovery because defendant would not be prejudiced by early disclosure of information relating to the advice-of-counsel defense since such information would “presumably support” the accused defendant’s position).

³⁶² 46 U.S.P.Q.2d 1566 (E.D. Mich. 1997).

³⁶³ *Id.* at 1570.

³⁶⁴ No. 02 Civ. 9290 BSJ THK, 2003 WL 21800981 (S.D.N.Y. Aug. 5, 2003) (holding, after an in camera review of the opinion of counsel, that “[d]isclosure of the Opinion would prejudice [defendant] with respect to the issue of liability by revealing its attorney’s thinking, strategy and opinions,” and that this outweighed any possible inefficiency).

relating to the opinion of counsel, while noting that the other portion of defendant's motion requesting the bifurcation of the trial rested in the discretion of the trial judge.³⁶⁵ The court in *Plasmanet* may have deferred ruling on bifurcating the trial since it had stayed discovery relating to the opinion of counsel until after a decision on a motion for summary judgment on liability issues.³⁶⁶

The Northern District of California's Local Patent Rule 3-8 provides that a party relying on the advice-of-counsel defense must submit, within fifty days of the entry of a *Markman* order, the opinion and all accompanying papers to which the party agrees that attorney-client privilege and work-product immunity has been waived, along with a privilege log of all other documents not produced that relate to the subject matter of the opinions, except for those documents authored by trial counsel acting solely as trial counsel.³⁶⁷

3. Sequential Trial of Issues

Instead of allowing bifurcation and a stay of discovery, some courts have opted for trying the issues in sequence, in accordance with Rule 42(b) of the Federal Rules of Civil Procedure.³⁶⁸ These courts balance a desire to minimize the confusion to the jury if the issues of liability, damages, and willfulness are tried together with concerns of efficiency, delay, and overlap of evidence. By hearing the issues in phases of liability, then damages and willfulness, if needed, the court may minimize the confusion to the jury and/or prejudice to the accused infringer, but still maintain the convenience and benefits of one trial and one jury.³⁶⁹ Similarly, some courts have allowed discovery in stages so that the more sensitive subjects, related to willfulness, are set for the latter part of discovery.³⁷⁰ Doing so may help protect against prejudice.³⁷¹

Another court adopted a hybrid of the stay of discovery and serial trial solutions in *Kos Pharmaceuticals, Inc. v. Barr Laboratories, Inc.*³⁷² In *Kos*, the court denied the accused infringer's motion to bifurcate, at least partly because the accused

³⁶⁵ *Id.* at 1–2.

³⁶⁶ *Id.* at *3.

³⁶⁷ The Northern District of California Local Patent Rules, <http://www.cand.uscourts.gov/CAND/LocalRul.nsf> (last visited Mar. 3, 2007); see also *Caliper Techs. Corp. v. Molecular Devices Corp.*, 213 F.R.D. 555, 559 (N.D. Cal. 2003) (following local rules in refusing to grant motion to compel opinions before time set out in rule).

³⁶⁸ *Johns Hopkins I*, 160 F.R.D. at 36; see also *F & G Scrolling Mouse v. IBM Corp.*, 190 F.R.D. 385, 390 (M.D.N.C. 1999) (commenting that “when the only justification for bifurcation is possible jury confusion because of complexity of the issues and numerous experts, simultaneous discovery and back-to-back trials with the same jury may be in order”); *Belmont Textile Mach. v. Superba, S.A.*, 48 F. Supp. 2d 521, 526 (W.D.N.C. 1999), *dismissed*, 18 Fed. Appx. 826 (Fed. Cir. 2001) (stating that the court may allow presentation of the various issues to the jury one at a time).

³⁶⁹ *Laitram Corp. v. Hewlett-Packard Co.*, 791 F. Supp. 113, 116–17 (E.D. La 1992); see *IPPV Enters. v. Cable/Home Comm’n Corp.*, 26 U.S.P.Q.2d 1714, 1717 (S.D. Cal. 1993) (“[T]he only way that [the court] could see to ever bifurcate would be to roll immediately into a second trial.”).

³⁷⁰ See *F & G Scrolling Mouse*, 190 F.R.D. at 390 (stating that courts may choose to stage discovery as an option “between the extremes from simultaneous discovery to a stay in discovery”).

³⁷¹ *Id.* at 391.

³⁷² 218 F.R.D. 387 (S.D.N.Y. 2003), *clarification denied*, 293 F. Supp. 2d 370 (S.D.N.Y. 2003) (commenting on decision while refusing to clarify).

product had not yet reached the market, and therefore, the patentee had not suffered monetary damages.³⁷³ However, the court recognized the dilemma inherent in waiving the privilege at an early stage as to opinions, which the accused infringer represented as containing indications of trial strategy.³⁷⁴ The court resolved the matter by first staying discovery only with respect to the opinions, while making it clear that discovery on all issues, including other factual discovery related to willfulness, was to continue.³⁷⁵ Second, the court ordered the serial trial of liability and willfulness.³⁷⁶ Discovery on the opinions was to occur while the jury deliberated on liability and/or during a several-day break after the liability phase.³⁷⁷

It should be noted that many judges look with disfavor on any procedures that prolong proceedings in the trial court. These include alternative methods of administering patent cases in order to protect privilege, which result in staged proceedings and attendant delays.

E. In re Seagate

As mentioned above, a number of important questions remain following *Echostar*. In particular, *Echostar* did not address whether the waiver of privilege resulting from reliance on an advice-of-counsel defense to willfulness extends to communications with trial counsel regarding the same subject matter. Likewise unresolved is whether reliance on an opinion of counsel waives work product immunity for the work product of trial counsel regarding the subject matter of that opinion. These are two of the questions, which the Federal Circuit recently decided to consider en banc in the *In re Seagate Technology, L.L.C.* matter.

Seagate arose from a petition for writ of mandamus from an order compelling production of attorney-client communications and work product involving petitioner, Seagate Technology, L.L.C. (“Seagate”), and its trial counsel.³⁷⁸ Seagate, one of the accused infringers in a patent infringement lawsuit in the Southern District of New York, raised an advice-of-counsel defense based on three written opinions directed to the non-infringement, invalidity and unenforceability of the patents-in-suit.³⁷⁹ These opinions were prepared by counsel at a different law firm than Seagate’s trial counsel. It was also undisputed that opinion counsel had prepared those written opinions separately from and was not influenced by trial counsel.³⁸⁰ Nonetheless, the magistrate judge held that the waiver of privilege resulting from the production of those opinions extended to communications regarding the same subject matter with Seagate’s trial counsel.³⁸¹ Moreover, because Seagate’s alleged infringement had

³⁷³ *Id.* at 391–93.

³⁷⁴ *Id.* at 394.

³⁷⁵ *Id.* at 395.

³⁷⁶ *Id.*

³⁷⁷ *Id.* at 394–95.

³⁷⁸ Seagate Technology LLC’s Petition for Writ of Mandamus to Vacate Discovery Orders Compelling Disclosure of Privileged Communications of Trial Counsel, *In re Seagate Technology, L.L.C.*, (No. 06-830), 2007 WL 196403.

³⁷⁹ *Convolve, Inc. v. Compaq Comp. Corp.*, No. 00 Civ. 5141, slip op. at 5 (S.D.N.Y. May 28, 2004).

³⁸⁰ *Id.* at 20.

³⁸¹ *Id.* at 17.

continued following receipt of those opinions, the waiver extended throughout the period of alleged infringement, “including up through trial.”³⁸² Regarding trial counsel’s work product, the magistrate judge held that work product immunity had been waived for any such work product that had been communicated to Seagate.³⁸³ After Seagate’s objections to the magistrate judge’s order were denied before the district court, Seagate filed its petition for a writ of mandamus with the Federal Circuit.

The Federal Circuit decided *sua sponte* to consider Seagate’s petition en banc.³⁸⁴ The January 26, 2007 order granting en banc consideration invited additional briefing on three 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 waiver on work-product immunity?
- (3) Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?³⁸⁵

As of the time of this supplement, the Federal Circuit has not issued an opinion in *Seagate*, but it is important to recognize the potential impact of this decision on willfulness law and practice. Resolution of the first two *Seagate* questions will likely have a substantial effect on whether future accused infringers choose to assert an advice-of-counsel defense. A broad subject matter waiver that extends to future communications with separate trial counsel will likely curtail assertion of the advice-of-counsel defense in many cases. At the same time, this would strengthen the strategic value of charging willful infringement by forcing the accused infringer to choose between the advice-of-counsel defense and a potentially-broad subject matter waiver of privilege. The third *Seagate* question is more enigmatic. Some amici curiae, including the American Bar Association, have suggested that the Federal Circuit do away with the affirmative duty of care standard set forth in *Underwater Devices* and require that willful infringement be premised on a finding of “reprehensible conduct” in accord with the Supreme Court’s punitive damages precedent.³⁸⁶ Such a result would have a dramatic effect on the current state of willfulness practice by ostensibly raising the bar to establish willfulness and removing some of the impetus to waive privilege regarding an opinion of counsel. Regardless of the ultimate outcome, any reader facing issues related to the assertion

³⁸² *Id.* at 15.

³⁸³ *Id.* at 21-22.

³⁸⁴ *In re Seagate Tech., L.L.C.*, No. 06-830, slip op. at 1 (Fed. Cir. Jan. 26, 2007).

³⁸⁵ *Id.* at 1-2 (internal citations omitted).

³⁸⁶ *See, e.g.*, Brief of the American Bar Ass’n as *Amicus Curiae* in Support of Petitioner at 12, *In re Seagate Technology, L.L.C.*, (No. 06-830), 2007 WL 1032690.

of an advice-of-counsel defense is advised to consult the Federal Circuit's *Seagate* decision once it has issued.

V. PRACTICAL CONSIDERATIONS IN LIGHT OF RECENT PRECEDENT AND PENDING LEGISLATION

*Knorr-Bremse*³⁸⁷ eliminated what had become a de facto requirement of obtaining and producing an opinion of counsel as a defense to willful infringement. Now that the question of seeking an opinion is optional, the following considerations are relevant to the decision of whether to incur the expense of obtaining an opinion: the likelihood of litigation; the litigation history of both the patentee and the patent at issue; whether the patent has been licensed previously; the importance of the products implicated by the patent; the revenue associated with such products; and the level of certainty that the opinion will be consistent with trial strategy and thus useful at trial if desired.

Even after *Knorr-Bremse*, an accused infringer is well advised to seek and obtain a competent opinion of counsel so as to have in its possession the best form of defense if it is charged with willful infringement. Juries will continue to be favorably impressed by the expert testimony of qualified, experienced, and reputable opinion counsel. If the situation is such that the accused infringer desires frank advice and not an opinion to be produced at trial, *Knorr-Bremse* certainly allows for a more forthright discussion of possible solutions and outcomes, rather than the unequivocal assertions required previously. Furthermore, opinions formed without the benefit of discovery may now be withheld when they ultimately contradict trial strategy, thus avoiding complicated problems involving impeachment of opinion counsel. Opinion counsel may become trial counsel without ethical implications if the opinion is withheld. Extreme care should be taken in this situation that the privilege is not inadvertently waived (such as by unexpected testimony regarding reliance on opinion of counsel). *Knorr-Bremse* may allow for the less burdensome measure of obtaining and relying upon advice from scientists or other technicians as evidence of good-faith attempts to avoid infringement. Such opinions may be sufficient to show good faith by themselves or until such time as an actual opinion of counsel is desired because the situation has become more serious (i.e., a lawsuit has been filed). However, contradictions between the two opinions would be problematic, and patent attorneys are in a unique position to opine upon issues such as infringement by the doctrine of equivalents, obviousness, and unenforceability.

The realities of the situation, however, still call for an early decision as to whether the opinion is being sought for practical advice or use in litigation. Most accused infringers will continue to request an opinion that can be used as evidence at trial. Accordingly, all the same requirements for unequivocal assertions regarding noninfringement, invalidity, or unenforceability apply. The opinion should be free of any hedging regarding uncertainties of outcome. The advice-of-counsel defense works only if the opinion obtained is competent and the accused infringer reasonably relies on the opinion and believes that it is not infringing another's patent rights.

³⁸⁷ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

Although a competent opinion of counsel is one of the best defenses against willful infringement, it comes at the cost of waiver of attorney-client privilege and, possibly, work-product immunity. The scope of waiver of privilege that may arise from the use of an advice-of-counsel defense is difficult to predict since the Federal Circuit has not ruled on this issue and the district courts have not agreed on the scope of waiver. Therefore, whenever an accused infringer obtains an opinion of counsel, it should make sure that the opinion is competent, based on the criteria set forth by the courts, while keeping in mind the uncertain scope of waiver of both attorney-client privilege and work-product immunity if the opinion is produced.

The Federal Circuit stressed the continuing importance on the competence of the opinion in *Golden Blount, Inc. v. Robert H. Peterson Co.*³⁸⁸ The district court found that the accused infringer never obtained a written opinion of counsel and that the oral opinions obtained were rendered without an examination of the patent's prosecution history or the accused device, and were thus incompetent.³⁸⁹ The district court criticized the accused infringer for relying on an opinion of counsel based on the unproven representation of one of the accused infringer's employees that the invention had been around for twenty to thirty years.³⁹⁰ The district court found that the opinions were "to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent."³⁹¹ The accused infringer argued that it was improper for the district court to draw negative implications about the opinion, and sought to have opinion-related evidence ignored entirely.³⁹² The accused infringer also challenged the district court's willfulness finding because its conduct was not "reckless."³⁹³

The Federal Circuit rejected both of the accused infringer's arguments. In rejecting the first argument, the court found that if the privilege is not asserted as to the opinion, the patentee in making its threshold showing of culpable conduct is free to introduce as evidence whatever opinions were obtained and to challenge the competence of those opinions in satisfaction of the patentee's burden on willfulness, and that nothing in *Knorr-Bremse* precludes a patentee from attempting to make such a showing.³⁹⁴ The Federal Circuit did not shy away from the "reckless" standard advanced by the accused infringer in its second argument, but rather identified numerous failures to exercise due care to avoid infringement and found that the evidence supported a finding of reckless conduct.³⁹⁵ As stated earlier, the Federal Circuit has never defined the level of culpability required for a finding of willfulness, instead concluding it was a "question of degree."³⁹⁶ It may be that the Federal Circuit is inching towards a stricter standard for willfulness such as the

³⁸⁸ 438 F.3d 1354, 1368 (Fed. Cir. 2006).

³⁸⁹ *Id.* at 1366.

³⁹⁰ *Id.*

³⁹¹ *Id.* at 1367.

³⁹² *Id.*

³⁹³ *Id.*

³⁹⁴ *Id.* at 1369. The court also cited *nCube Corp. v. Seachange Int'l, Inc.*, 436 F.3d 1317, 1320 (Fed. Cir. 2006), where it affirmed the denial of a motion for JMOL where infringer received notice of the patent when suit was filed and obtained an incompetent opinion upon which the infringer relied in continuing to infringe.

³⁹⁵ *Id.* at 1370.

³⁹⁶ *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125–26 (Fed. Cir. 1987).

“reprehensible conduct” standard urged by Judge Dyk in his *Knorr-Bremse* dissent. The third question posed by the Federal Circuit in *Seagate* may be an indication that the court is considering moving away from the affirmative duty of care to a more stringent “reprehensible conduct” standard.³⁹⁷

A significant question that *Knorr-Bremse* left unanswered is—should the jury hear whether an opinion was sought when weighing the totality of the circumstances? In *Imonex Services, Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*,³⁹⁸ the Federal Circuit indicated that the jury may consider whether an opinion obtained “years” after the accused infringer arguably had notice of the patent satisfies the duty of care. Accordingly, once the privilege is waived with respect to the opinion of counsel, full discovery and presentation of evidence of when it was obtained are fair. The court stated that, while an earlier receipt of legal advice might have strengthened the accused infringer’s argument that it did not willfully infringe, the failure to have solicited such advice did not give rise to an inference of willfulness.³⁹⁹ Nevertheless, the jury apparently heard evidence of when the opinion was obtained in relation to when the accused infringer had notice of the patent. Therefore, if an opinion is obtained too late, an accused infringer, after *Knorr-Bremse*, may be better off claiming privilege rather than producing the opinion, since production opens the door for the jury to weigh the reasonableness of the time when the opinion was obtained. Obviously, patentees would like the fact finder to reach an informal adverse inference based on the fact that an attorney was not consulted or the opinion was withheld. Only time will tell on this particular issue, as motions in limine and the like are ruled upon.

A district court confronting the willfulness issue made the interesting observation that the *Knorr-Bremse* court did not say that it was improper for a jury to infer from an infringer’s failure to consult counsel that the infringer had no prior knowledge of its opponent’s patents or that it had not acted properly in other respects.⁴⁰⁰ This statement apparently means that the jury is not precluded from considering when the accused infringer had notice of the patent even when the accused infringer does not obtain an opinion or claims privilege and withholds the opinion.

After *Echostar*, and in view of *Seagate*, practitioners should be extremely cautious when documenting communications with the client when preparing an opinion of counsel, but may now act with more freedom when documenting their opinions and mental impressions in preparing an opinion. Furthermore, since it is now entirely possible that all opinions on validity, enforceability, and infringement will be waived, only favorable opinions should be communicated to the client. To the extent possible, all such opinions should be consistent with trial strategy. While the Federal Circuit’s resolution of the *Seagate* matter may ultimately reduce the risks and difficulties resulting from assertion of an advice-of-counsel defense, the best practice at least for now is to adopt a cautious strategy regarding client communications. Trial counsel should carefully avoid any communications with the client that could be characterized as an opinion on infringement, validity, or

³⁹⁷ See *supra* Sec. 4(E).

³⁹⁸ No. 04-1262, 04-1290, 2005 WL 1204855, at *2-3 (Fed. Cir. May 23, 2005).

³⁹⁹ *Id.* at *3.

⁴⁰⁰ *Third Wave Techs., Inc. v. Stratagene Corp.*, 405 F. Supp. 2d 991, 998 (W.D. Wisc. 2005).

enforceability and focus on communications in the vein of trial preparation, including after the filing of suit. Before waiving the privilege, practitioners could consider asking the court for a prospective ruling on the scope of the waiver. At the very least, counsel should attempt to project such a ruling on the documents and communications in existence at the time of the waiver before electing to rely on an opinion. Counsel should further bear in mind that the waiver may be continuing when communicating with a client after the decision has been made to rely on an opinion.

Sweeping changes to the patent statutes are possible in the future, and the law of willful infringement is no exception. On April 18, 2007, a bipartisan bill titled "Patent Reform Act of 2007" was introduced in both the United States Senate and House of Representatives. One of the many changes proposed in that bill is to amend Paragraph 2 of 35 U.S.C. § 284 to read as follows:

b) Willful Infringement.

(1) Increased damages. A court that has determined that the infringer has willfully infringed a patent or patents may increase the damages up to three times the amount of damages found or assessed under subsection (a), except that increased damages under this paragraph shall not apply to provisional rights under section 154(d).

(2) Permitted grounds for willfulness. A court may find that an infringer has willfully infringed a patent only if the patent owner presents clear and convincing evidence that—

(A) after receiving 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;

(B) the infringer intentionally copied the patented invention with knowledge that it was patented; or

(C) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent.

(3) Limitations on willfulness.

(A) A court may not find that an infringer has willfully infringed a patent under paragraph (2) for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent.

(B) An informed good faith belief within the meaning of subparagraph (A) may be established by—

(i) reasonable reliance on advice of counsel;

(ii) evidence that the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or

(iii) other evidence a court may find sufficient to establish such good faith belief.

(C) The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement under paragraph (2).

(4) Limitation on pleading. Before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer, a patentee may not plead and a court may not determine that an infringer has willfully infringed a patent. The court's determination of an infringer's willfulness shall be made without a jury.⁴⁰¹

These proposed changes to 35 U.S.C. § 284 reflect the desire of many patent practitioners to raise the level of egregious conduct necessary to suggest willfulness and simplify the law of willful infringement.

Currently there is significant debate within the courts as to what circumstances are sufficient to trigger the duty of care, what constitutes a competent opinion of counsel, when reliance on the opinion is reasonable, what scope of attorney-client privilege and work-product waiver is appropriate in light of *Echostar*, and whether the adverse inference is truly dead after *Knorr-Bremse*. The currently-pending *Seagate* matter is a prime example of this debate. Regardless of the outcome in *Seagate* and the proposed legislative changes, willful infringement will likely continue to be an important and complicated aspect of all patent infringement suits.

⁴⁰¹ H.R. 1908, 110th Cong. (2007); S. 1145, 110th Cong. (2007).