

THE WAIVER OF  
ATTORNEY-CLIENT  
PRIVILEGE & USE  
OF NON-LIABILITY  
OPINIONS AFTER  
*IN RE SEAGATE*

*Vera M. Elson & Mary B. Boyle  
McDermott Will & Emery  
Palo Alto, CA*



# ***The Waiver of Attorney-Client Privilege and Use of Non-Liability Opinions After In re Seagate***

Vera M. Elson and Mary B. Boyle<sup>1</sup>

## **I. Introduction**

On August 20, 2007, the en banc Federal Circuit issued a unanimous opinion in *In re Seagate Technology, LLC*.<sup>2</sup> Although the full impact of *In re Seagate* will only be known as the law further develops, this opinion represents a sea change in the area of willful patent infringement, scope of privilege waiver, and the use of formal opinions of counsel to defend against allegations of willfulness.

The point of departure for this paper is the question that originally brought *In re Seagate* to the Federal Circuit. Patent defendant Seagate asserted that it would rely on formal opinions of counsel as a defense to willful infringement. The district court found that the advice-of-counsel defense triggered waiver of attorney-client privilege and work product protection for patent-related communications of Seagate's trial counsel. Seagate's petition for writ of mandamus urged the Federal Circuit to find that the district court abused its discretion, and the Court granted the petition.

The core of *In re Seagate* is its articulation of a new standard for willful patent infringement. The new standard has many potential implications and will be much discussed and litigated over the next few years. The *In re Seagate* opinion resolves the issue of privilege waiver for trial counsel. "[I]n light of the new willfulness analysis," the Federal Circuit determined, the subject matter waiver of attorney-client privilege, triggered by the advice-of-counsel defense will not extend to trial counsel, as a general rule. Similarly, the waiver of work-product immunity will not extend to trial counsel.

Very little else is certain. The overarching issue after *In re Seagate* is what is the nature of a claim for willful infringement and what is relevant evidence. As the Federal Circuit stated in *In re Seagate*, "[t]he ultimate dispute in this case is the proper scope of discovery. ... [I]t is indisputable that the proper legal standard for willful infringement informs the relevance of evidence relating to that issue and, more importantly here, the proper scope of discovery."<sup>3</sup> The scope of privilege waiver is cabined in the first instance by the scope of relevant discovery. Likewise, the use of opinions will depend on what the claim is, and, thus, what are the defenses to willful infringement. Except as to the specific rule that waiver will not extend to trial counsel, there is a great deal of uncertainty regarding the scope of discovery for willful infringement claims under the new standard.

---

<sup>1</sup> © 2007. All Rights Reserved. Vera M. Elson is a partner in the Silicon Valley office of McDermott Will & Emery LLP and is the Silicon Valley IP department head and a senior member of the Intellectual Property, Media & Technology Department. Mary B. Boyle is an associate in the Silicon Valley office and a member of the Intellectual Property, Media & Technology Department. This article presents only the authors' present views, which should not be attributed to the Firm or any of its clients.

<sup>2</sup> Misc. No. 830, 2007 WL 2358677 (Fed. Cir. Aug. 20, 2007).

<sup>3</sup> *Id.* at \*6.

Moreover, *In re Seagate* still leaves open the question of whether and to what extent the scope of the waiver applies to in-house counsel.<sup>4</sup> Given that in-house counsel will generally be involved in at least commissioning the opinion letter, as well as interfacing with trial counsel and management, defendants may seek to obtain much of the same information *via* in-house counsel that they no longer may seek directly from trial counsel—yet the same considerations of protecting against an invasion of the attorney-client privilege would seem to apply.

The focus now is on what the lower courts will do. The *In re Seagate* opinion contains some language to indicate what the new standard—“objective recklessness,” at a minimum—is intended to accomplish. In 1983, the Federal Circuit issued *Underwater Devices*,<sup>5</sup> which set forth a duty of due care standard for willful infringement. As many of the twenty-one amicus briefs argued, the duty of due care standard was widely viewed as having a net detrimental impact. In *In re Seagate*, the Court indicated that it was reexamining its willfulness precedent in view of the “practical concerns facing litigants under the current regime.”<sup>6</sup> Judge Newman indicated in her separate concurring opinion that it was appropriate to put to an end the “opportunities for abusive gamesmanship” and “disproportionate burdens ... placed on otherwise law-abiding commercial enterprise” under the old legal standard for willful infringement as it had been applied.<sup>7</sup>

One aspect of the *In re Seagate* discussion that is certain to engender much debate is that willfulness is to be measured by prelitigation conduct, yet a factor to be considered is the existence of a substantial defense of patent invalidity and/or noninfringement that may not have been known to the defendant in the prelitigation period. This is an especially interesting issue since if the jury reaches the willfulness question, they will have rejected the infringer’s defense on the merits.

If the relevant evidence is restricted as the *In re Seagate* opinion suggests, then the nature of a claim for willful infringement should be very different in the future and more difficult to make and prove. The proof should focus in large part on an objective perspective and whether there were substantial questions of invalidity and noninfringement. Evidence of subjective bad faith should not be relevant, except as to the second prong of *In re Seagate*, whether the accused infringer knew that its conduct was objectively reckless. The scope of discovery and, consequently, subject matter waiver should be narrower because, among other reasons, the accused infringer’s “state of mind” should be deemed irrelevant as a general matter.<sup>8</sup> Similarly, to the extent that a more stringent standard for proving willful infringement is enforced by the courts, the need to use opinion evidence will be reduced and companies may obtain fewer opinions.

---

<sup>4</sup> See *id.* at \*1 n.2.

<sup>5</sup> *Underwater Devices Inc. v. Morrison-Knudson Co.*, 717 F.2d 1380 (Fed. Cir. 1983).

<sup>6</sup> *In re Seagate*, 2007 WL 2358677, at \*4.

<sup>7</sup> *Id.* at \*18.

<sup>8</sup> It bears emphasis, however, that courts may continue to use the totality-of-the-circumstances analysis. If so, factors such as whether the infringer “formed a good faith belief” or “reasonably believed that the defense would be successful if litigated” could continue to be relevant. See conference paper by Edward G. Poplawski, Exhibit 1, Jury Instruction.

## II. The Law Before *In re Seagate*

### A. The General Context of *In re Seagate*

Over the twenty-four years that the standard of *Underwater Devices* controlled, patent defendants typically asserted a defense to willful infringement of good-faith reliance on advice of counsel that they did not infringe a valid patent. The defense usually involved a formal written opinion obtained from formal opinion counsel containing an analysis of infringement, validity, and/or enforceability of the asserted patent claims. Assertion of an advice-of-counsel defense triggered a waiver of attorney-client privilege and waiver of work product protection for other communications on the same subject matter of infringement, validity, and/or enforceability of the asserted patent claims. As the Federal Circuit has explained: “This broad scope is grounded in principles of fairness and serves to prevent a party from simultaneously using the privilege as both a sword and a shield; that is, it prevents the inequitable result of a party disclosing favorable communications while asserting the privilege as to less favorable ones.”<sup>9</sup> It was generally settled that the waiver included all relevant communications between the client and formal opinion counsel. The issue in *In re Seagate* was whether the client’s communications with trial counsel fell equally within this broad waiver.<sup>10</sup>

This was an issue of first impression for the Federal Circuit. With increasing frequency, lower courts were finding that the assertion of an advice-of-counsel defense to willfulness waived the attorney-client privilege for trial counsel communications on substantive patent issues. In effect, opposing counsel was invited to listen to and read every communication that patent trial counsel had with its client, in some cases, up to and including trial. As *Seagate* argued before the Federal Circuit, if this were the law (which it could not be), then no patent defendant could afford to assert an advice-of-counsel defense, and a crucial defense to willfulness would no longer be feasible to assert. In short, defendants were faced with the Hobson’s choice of whether to forego an advice of counsel defense to preserve the privilege, but then face the risk of enhanced damages.

The trial court in *In re Seagate* issued discovery orders that granted the plaintiffs’ motion to compel discovery of privileged communications of trial counsel relating to infringement, validity, and enforceability. *Seagate* petitioned the Federal Circuit for a writ of mandamus to vacate the discovery orders. The Federal Circuit *sua sponte* ordered the case heard *en banc*. In the *en banc* order, the Federal Circuit signaled that it might revisit its willfulness precedent and correct the underlying problems.

### B. Willful Infringement and the Affirmative Duty of Due Care Under *Underwater Devices*

A patentee can obtain both compensatory and enhanced damages under the Patent Act.<sup>11</sup> 35 U.S.C. § 284 provides for patent infringement “damages adequate to compensate for the

---

<sup>9</sup> *In re Seagate*, 2007 WL 2358677, at \*6.

<sup>10</sup> It was undisputed that trial counsel and opinion counsel operated separately and independently in the *In re Seagate* case, so communications between opinion counsel and trial counsel were not at issue. *See id.* at \*1.

<sup>11</sup> 35 U.S.C. §§ 1-376.

infringement.”<sup>12</sup> The statute further provides that “the court may increase the damages up to three times.”<sup>13</sup> The statute is devoid of any standard to guide the court’s discretion in awarding enhanced damages.

The standard adopted by the Federal Circuit for enhanced damages was “willful infringement.”<sup>14</sup> In *Underwater Devices*,<sup>15</sup> the Federal Circuit announced the standard for willful infringement that governed until *In re Seagate*: an affirmative “duty of due care.” The Court stated: “[w]here ... a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.”<sup>16</sup> Whether the obligation applied with equal strength when the accused infringer was already engaged in the allegedly infringing activity, or only first received notice of the patents by service of a Complaint, remained unclear.<sup>17</sup>

In any event, the courts developed a totality-of-the-circumstances analysis for evaluating willful infringement under the “duty of due care.”<sup>18</sup> The totality of the circumstances included consideration of multiple factors, depending upon the particular facts of the case.<sup>19</sup> As explained by the Federal Circuit, the ultimate issue was the state of mind of the accused infringer. “Whether infringement is ‘willful’ is by definition a question of the infringer’s intent.... Thus, [the accused infringer’s] intent and reasonable beliefs are the primary focus of a willful infringement inquiry.”<sup>20</sup>

However, the analysis was grounded in important ways in objective factors. When a legal opinion was relied on, the analysis emphasized whether the reliance was *reasonable* from *the client’s viewpoint* based on the *objective* characteristics of the opinion itself. As the Federal Circuit stated, “[t]hose cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent.”<sup>21</sup> “[Federal Circuit] precedent does not mean a client must itself be able to evaluate the legal competence of its attorney’s advice to avoid a finding of willfulness ....

---

<sup>12</sup> *Id.* § 284.

<sup>13</sup> *Id.*

<sup>14</sup> See *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991).

<sup>15</sup> *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983).

<sup>16</sup> *Id.*

<sup>17</sup> See, e.g., *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1237 (Fed. Cir. 1985).

<sup>18</sup> See, e.g., *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992), *abrogated on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995).

<sup>19</sup> See *In re Seagate*, 2007 WL 2358677, at \*3 (citing *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986) and *Read*, 970 F.2d at 826-27).

<sup>20</sup> *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) (citation omitted); cf. *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294, 1303 (Fed. Cir.) (“Work-product waiver extends only so far as to inform the court of the *infringer’s* state of mind.”), *cert. denied*, 127 S. Ct. 846 (Dec. 11, 2006).

<sup>21</sup> See *Read*, 970 F.2d at 829. The objective quality of the opinion was critical, because if the reliance was not objectively reasonable, whether the defendant claimed to have relied on it was of little significance. See *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998) (“[T]he legal opinion must be ‘competent’ or it is of little value in showing the good faith belief of the infringer.”).

That an opinion is ‘incompetent’ must be shown by objective evidence.”<sup>22</sup> *Underwater Devices* explained that an opinion was “competent” when, *viewed objectively*, it was the kind of thorough and systematic advice on which a client might reasonably rely.<sup>23</sup> For example, a competent opinion would normally be prepared after a detailed review of the prior art cited in the patent and the prosecution history.<sup>24</sup> The Federal Circuit reaffirmed in *EchoStar* that “[c]ounsel’s opinion is not important for its legal correctness. It is important to the inquiry whether it is ‘thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable.’”<sup>25</sup>

Nonetheless, the willfulness analysis was not limited to objective factors. In 2004, the Federal Circuit stated that the totality of circumstances analysis “stress[ed] the ‘theme of whether a prudent person would have sound reason to believe that the patent was not infringed or was invalid or unenforceable, and would be so held if litigated.’”<sup>26</sup> The Court went on to explain, however, that the precedent directs the trier of fact to accord each factor the weight it merits under the particular case.<sup>27</sup> The analysis thus continued to mix objective and subjective components.

### **C. The Duty of Due Care Was a Negligence-Like Standard That De Facto Shifted the Burden to the Defendant To Prove It Was *Not* Willful**

It has long been settled that the burden of proof for willful infringement is wholly on the patentee.<sup>28</sup> As the *In re Seagate* opinion recognized, the duty of due care standard was “akin to negligence.”<sup>29</sup> A negligence-like standard was problematic because it created a “duty” for the accused infringer that effectively shifted the burden away from the patentee.<sup>30</sup> The *Underwater Devices* standard was implemented to encourage reasonable commercial behavior at a time “when widespread disregard of patent rights was undermining the national innovation incentive.”<sup>31</sup> But the duty had widespread unintended and undesirable consequences.

Willful infringement was alleged in almost every patent case, and willfulness issues consumed a disproportionate amount of judicial resources.<sup>32</sup> It became more and more clear that

---

<sup>22</sup> *Read*, 970 F.2d at 829; *accord Comark*, 156 F.3d at 1191; *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992).

<sup>23</sup> *See Underwater Devices*, 717 F.2d at 1390 (requiring that opinion have “sufficient internal indicia of creditability” to be “competent”).

<sup>24</sup> *See id.* at 1389-90.

<sup>25</sup> *EchoStar*, 448 F.3d at 1303 (quoting *Ortho*, 959 F.2d at 944).

<sup>26</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004) (quoting *SRI Int’l v. Advanced Tech. Lab.*, 127 F.3d 1462, 1465 (Fed. Cir. 1997)).

<sup>27</sup> *See id.*

<sup>28</sup> *See Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1368 (Fed. Cir. 2006).

<sup>29</sup> *See In re Seagate*, 2007 WL 2358677, at \*5.

<sup>30</sup> As discussed below, the duty-of-due-care standard was also in apparent conflict with Supreme Court precedent because it allowed punitive damages to be awarded for conduct that was not “reprehensible.”

<sup>31</sup> *In re Seagate*, 2007 WL 2358677, at \*3 (quoting *Knorr-Bremse*, 383 F.3d at 1343).

<sup>32</sup> Separate trials on willfulness (*i.e.*, bifurcation) had also been offered as a solution to some of the problems. *See Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991). As the *In re Seagate* opinion noted, bifurcation did not become a widespread practice. *See In re Seagate*, 2007 WL 2358677, at \*3. Moreover, even in those cases where bifurcation was granted, the bifurcation was for the trial only, and did not apply to limit and delay

(continued...)

the *Underwater Devices* facilitated efforts by holders of dubious patents to keep competitors' products away from the market and did little to encourage innovation.<sup>33</sup> Companies became reluctant to allow their employees to review competitors' patents for fear that the mere awareness of a patent was sufficient to set the stage for a finding of willful infringement in later litigation.<sup>34</sup> Further, it appeared that bare notice of a patent given to a potential defendant by a patentee could set the stage for a later finding of willful infringement.

In 2004, now-Federal Circuit Judge Moore, then a law professor at George Mason University, published an empirical study of willful patent infringement.<sup>35</sup> She found that willful infringement was alleged in over 90% of all complaints in patent infringement cases.<sup>36</sup> Invariably, the willfulness allegations were wholly conclusory in their content.<sup>37</sup> As the Federal Circuit mentioned in the *Seagate* opinion, Fed. R. Civ. P. 8 and 11 could have been applied to restrain allegations of willful infringement in patent complaints.<sup>38</sup> In practice, however, this did not happen.<sup>39</sup>

Under the "duty of due care" regime, the transaction costs of a willfulness claim fell disproportionately on the defendant, beginning with the decision whether to obtain formal legal opinions, at a cost of many tens of thousands of dollars. As the standard was applied, patent defendants had a de facto affirmative obligation to obtain opinions of counsel upon notice of a potential lawsuit or even upon becoming aware of a patent that a patentee might later threaten to enforce against them. The advice-of-counsel defense assumed a preeminent role in the litigation of willful infringement. As the Federal Circuit recognized, opinion letters became "crucial to the analysis."<sup>40</sup> Opinion letters became "big business for patent attorneys."<sup>41</sup>

Thus, while it cost the patentee little more than the cost of a stamp to send a notice letter referring vaguely to its patents, the recipient was immediately faced with the decision whether to obtain an opinion of counsel, which could cost as much as \$100,000.<sup>42</sup> Multiply this scenario by the hundreds of such letters a large corporation might receive each year, and the problem is clear. As the amicus brief filed by Adobe, Apple, Dell, Intel, Micron, Microsoft, Oracle, SAP, Time Warner, and Yahoo! explained:

---

discovery. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227, 236 (2004).

<sup>33</sup> *In re Seagate*, 2007 WL 2358677, at \*3.

<sup>34</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1348 (Fed. Cir. 2004) (Dyk, J., concurring-in-part and dissenting-in-part) (disagreeing with the majority's reaffirmance of the duty-of-due-care standard on the ground that it was inconsistent with Supreme Court jurisprudence on punitive damages).

<sup>35</sup> Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227 (2004).

<sup>36</sup> *See id.* at 232.

<sup>37</sup> *See id.*

<sup>38</sup> *See In re Seagate*, 2007 WL 2358677, at \*7.

<sup>39</sup> *See Moore*, 14 Fed. Cir. B.J. at 232.

<sup>40</sup> *See id.* at \*3.

<sup>41</sup> *Moore*, 14 Fed. Cir. B.J. at 228.

<sup>42</sup> *See Amicus Br. of Adobe Systems Incorporated, Apple Inc., Dell Inc., Intel Corporation, Micron Technology, Inc., Microsoft Corporation, Oracle Corporation, SAP AG, Time Warner Inc., & Yahoo! Inc.* at 23-24 .

In a given month, the undersigned *Amici* receive over a dozen letters or other notifications concerning third-party patents. Typically, these letters are vague and uninformative by design; they often say little about what patents are at issue and even less about which of a recipient's products may be implicated by the patents. Yet, because even minimal notice may trigger the duty of care, *Amici* spend significant resources to determine, with imperfect information, which notices warrant closer inspection by legal counsel.... This transfer of resources from high-technology, manufacturing, pharmaceutical, and other industries to the 'cottage industry' of opinion counsel may be a boon for one segment of the legal profession, but it undercuts, rather than advances, the patent system's objective of promoting invention.<sup>43</sup>

Judge Newman aptly characterized the situation in her concurring opinion in the *In re Seagate* case when she recognized that the "due care" standard had resulted in "opportunities for abusive gamesmanship" and "disproportionate burdens ... placed on otherwise law-abiding commercial enterprise."<sup>44</sup> She thus concluded that "to the extent that *Underwater Devices* has been applied as a *per se* rule that every possibly related patent must be exhaustively studied by expensive legal talent, lest infringement presumptively incur treble damages, I agree that the standard should be modified."<sup>45</sup>

#### **D. Waiver of Privilege for Trial Counsel Communications Violates the Right to Effective Assistance of Counsel**

The Supreme Court long ago recognized that the attorney-client privilege "is founded upon the *necessity*, in the interest of administration and justice" under our system, of the right to confide in an attorney and be given legal advice "free from the consequences or the apprehension of disclosure."<sup>46</sup> Other circuit courts of appeals have held that subject matter waiver of attorney-client privilege will be limited in response to fairness concerns. The Sixth Circuit ruled that "[c]ourts must impose a waiver no broader than needed to ensure the fairness of the proceedings before it. A broad waiver would no doubt inhibit the kind of frank attorney-client communications and vigorous investigation of all possible defenses that the attorney-client and work product privileges are designed to promote."<sup>47</sup> Similarly, the Ninth Circuit has stated that "[b]ecause a waiver is required so as to be fair to the opposing side, the rationale only supports a

---

<sup>43</sup> *Id.*; see also *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, A Report by the FTC* Ch. 5, at 30 (October 2003) ("[F]ear of willfulness charges works to undermine the patent system's disclosure goals by discouraging third parties from reading patents.... [P]anelists amply testified that willfulness considerations may significantly interfere with gaining the knowledge of others' patents necessary for planning a noninfringing business or research strategy. This introduces unnecessary uncertainty, raises risks, and reduces efficiency.") (footnotes omitted).

<sup>44</sup> *In re Seagate*, 2007 WL 2358677, at \*18.

<sup>45</sup> *Id.*

<sup>46</sup> *Hunt v. Blackburn*, 128 U.S. 464, 470 (1888) (emphasis added); see also *In re Lott*, 424 F.3d 446, 450 (6th Cir. 2005) ("It is not hyperbole to suggest that the attorney-client privilege is a necessary foundation for our adversarial system of justice.")

<sup>47</sup> *Lott*, 424 F.3d at 453.

waiver broad enough to serve that purpose.”<sup>48</sup> “Courts, including ours, that have imposed waivers under the fairness principle have therefore closely tailored the scope of the waiver to the needs of the opposing party in litigating the claim in question.”<sup>49</sup>

The risk and the price of waiving the attorney-client privilege for trial counsel communications by the use of opinions was especially burdensome for corporations. The Federal Court explained in *Echostar* that “[w]e recognize the privilege ... so that the client can make well-informed legal decisions and conform his activities to the law.”<sup>50</sup> And as the Supreme Court recognized in *Upjohn*: “In light of the vast and complicated array of regulatory legislation confronting the modern corporation, corporations, unlike most individuals, ‘constantly go to lawyers to find out how to obey the law ....’”<sup>51</sup> “An uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.”<sup>52</sup>

The waiver threatened the right to effective assistance of counsel and due process in litigation.<sup>53</sup> In a prescient 2004 opinion, Magistrate Judge Brazil of the Northern District of California rejected the extension of waiver to separate and independent trial counsel, and articulated some of the serious concerns.<sup>54</sup> He noted that disabling a defendant from having a confidential relationship with trial counsel would seriously harm the values that are protected by the attorney-client privilege and work product immunity and would put the defendant at a considerable disadvantage. “[T]he magnitude of that disadvantage could threaten basic due process (fairness) values and could dislodge essential underpinnings of the adversary system.”<sup>55</sup>

---

<sup>48</sup> *Bittaker v. Woodford*, 331 F.3d 715, 720 (9th Cir.) (*en banc*) (citation omitted), *cert. denied*, 540 U.S. 1013 (2003).

<sup>49</sup> *Id.* The facts of *Bittaker* were different, but Ninth Circuit was facing an analogous set of dire consequences if it imposed a broad waiver. *Bittaker* filed a federal habeas petition alleging ineffective assistance of counsel. The government sought a ruling that *Bittaker* had incurred a broad subject matter waiver that would have made all of his original trial counsel’s files and communications available to the prosecution in case of retrial. In rejecting a broad waiver, the Ninth Circuit focused on the far-reaching implications for the justice system. “The right to a fair trial hangs on each side of the scale.” *Id.* at 724 n.7. A sweeping waiver would “immediately and perversely skew the second trial in the prosecution’s favor by handing to the state all the information in petitioner’s first counsel’s casefile.” *Id.* at 722. The petitioner should not have to choose between foregoing his ineffective assistance claim or “jeopardiz[ing] the fairness of his second trial by giving the prosecution access to evidence it would not otherwise have” and “risking a trial where the prosecution can use against him every statement he made to his first lawyer.” *Id.* at 723, 724 n.7. The court observed that “[i]t is no answer to say that *Bittaker* created this dilemma for himself—that he was the one who voluntarily ‘chose’ to challenge his conviction on grounds of ineffective assistance.” *Id.* at 723. If the government’s position were accepted, the Ninth Circuit observed, criminal defense lawyers would be impeded from rendering effective assistance to their clients. *Id.* at 722. Judge Kozinski also pointed out that such a stripping of privilege conflicts with obligations of lawyers to their clients under state law. *Id.* at 715. Although *Bittaker* derived from a criminal matter, the same general principles apply to the attorney-client privilege in the civil context. See *Swidler & Berlin v. United States*, 524 U.S. 399, 408-09 (1998) (“there is no case authority for the proposition that the privilege applies differently in criminal and civil cases ...”).

<sup>50</sup> *EchoStar*, 448 F.3d at 1300-01.

<sup>51</sup> *Upjohn Co. v. United States*, 449 U.S. 383, 392 (1981) (citation omitted).

<sup>52</sup> *Id.* at 393.

<sup>53</sup> A corporation may not even appear in federal court except as represented by licensed counsel. See *Rowland v. Cal. Men’s Colony*, 506 U.S. 194, 201-02 (1993) (citing cases dating from 1824).

<sup>54</sup> *Sharper Image Corp. v. Honeywell Int’l, Inc.*, 222 F.R.D. 621 (N.D. Cal. 2004).

<sup>55</sup> *Id.* at 643.

[C]ourts that insisted on imposing very broad waivers would risk forcing defendants to cho[ose] between two potentially significant unfairnesses: (1) losing the confidentiality of the relationship with trial counsel that her opponent ... would continue to enjoy, or (2) losing the ability to present the most effective defense to a claim of willfulness (sophisticated advice of counsel).<sup>56</sup>

“Such a defendant might even be discouraged from seeking legal advice ....”<sup>57</sup> By contrast, there was no serious unfairness by preserving trial counsel privilege where trial counsel was “retained ... to litigate, and only to litigate.”<sup>58</sup>

A “Catch-22” situation was created—there was apparently no way that companies could avoid the risk of privilege waiver and still seek and use opinions of counsel in litigation. The Federal Circuit recognized the fundamental problem when it stated in *Quantum*: “Proper resolution of the dilemma of an accused infringer who must choose between the lawful assertion of the attorney-client privilege and avoidance of a willfulness finding if infringement is found, is of great importance not only to the parties but to the fundamental values sought to be preserved by the attorney-client privilege.”<sup>59</sup>

### **E. The *Knorr-Bremse* Opinion**

The *en banc* Court addressed issues of willful-infringement law three years ago in *Knorr-Bremse*.<sup>60</sup> Under then-controlling precedent, a failure to seek and obtain advice of counsel, or a refusal to disclose and rely on the advice, was grounds for an adverse inference that the advice would have been or was unfavorable to the accused infringer.<sup>61</sup> Patent law was unique in this—in allowing an adverse inference to be drawn from an invocation of attorney-client privilege.<sup>62</sup> In *Knorr-Bremse*, the *en banc* Federal Circuit rejected the adverse inference as well as the notion that patent law had such special rules.<sup>63</sup> The Court noted that *Underwater Devices* had been decided in a time “when widespread disregard of patent rights was undermining the national innovation incentive,”<sup>64</sup> and the Court reasoned that the adverse inference was no longer needed.

Although the Court rejected the adverse inference, *Knorr-Bremse* expressly reaffirmed the duty of due care.<sup>65</sup> In a separate opinion, Judge Dyk dissented from this reaffirmance of the duty of due care. The Federal Circuit had previously held that enhanced patent damages are punitive in nature.<sup>66</sup> But, Judge Dyk pointed out in his separate *Knorr-Bremse* opinion, the duty

---

<sup>56</sup> *Id.* at 637.

<sup>57</sup> *Id.* at 643.

<sup>58</sup> *Id.* at 644.

<sup>59</sup> *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643 (Fed. Cir. 1991).

<sup>60</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004).

<sup>61</sup> *See id.* at 1343.

<sup>62</sup> *See id.* at 1345.

<sup>63</sup> *See id.*

<sup>64</sup> *See id.* at 1343.

<sup>65</sup> *See id.* at 1345-46.

<sup>66</sup> *See Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996).

of due care standard, which was similar to negligence, was in apparent conflict with Supreme Court jurisprudence that reserves punitive damages for “reprehensible” conduct.<sup>67</sup> As Judge Dyk observed in his separate opinion in *Knorr-Bremse*, a failure to observe a duty of care does not constitute “reprehensible conduct.”<sup>68</sup> Judge Dyk listed instances in which an award of punitive damages may be warranted, such deliberate copying and infringement where the infringer knows that it is infringing or has only frivolous defenses.<sup>69</sup> But, as Judge Dyk noted, and practitioners agreed, the “duty of due care” eclipsed all other factors in the “vast majority” of cases.<sup>70</sup>

## F. The *EchoStar* Opinion

In May 2006, a panel of the Federal Circuit issued the *EchoStar* opinion.<sup>71</sup> *EchoStar*, like *In re Seagate*, reached the Federal Circuit on a petition for writ of mandamus to vacate discovery orders compelling production of privileged materials.

As the *In re Seagate* Court explained, *EchoStar* contained two holdings.<sup>72</sup> First, *EchoStar* contended that it had not invoked an advice-of-counsel defense when it relied on an investigation supervised by in-house counsel.<sup>73</sup> The Federal Circuit disagreed and found that the district court did not abuse its discretion when it found that *EchoStar*’s reliance on an opinion of in-house counsel triggered waiver of the attorney-client privilege.<sup>74</sup> Second, *EchoStar* held that asserting an advice-of-counsel defense waives work product immunity for all communications on the same subject matter, as well as uncommunicated documents that memorialize attorney-client communications on the same subject matter.<sup>75</sup> By contrast, the protection for work product that was never communicated to the client remained intact because “[w]ork product waiver extends only so far as to inform the court of the *infringer*’s state of mind.”<sup>76</sup> If work product was never communicated to the client, it could not have influenced the *client*’s state of mind.<sup>77</sup> Underlying this second holding was a dispute whether the district court abused its discretion in ordering Merchant & Gould’s uncommunicated work product to be produced to the plaintiffs.<sup>78</sup> Merchant & Gould was opinion counsel, not trial counsel. *EchoStar* did not even mention trial counsel.<sup>79</sup>

But although *EchoStar* did not address trial counsel, many trial courts concluded that *EchoStar* required the same waiver of attorney-client privilege and work product protection for

---

<sup>67</sup> See *Knorr-Bremse*, 383 F.3d at 1348 (Dyk, J., concurring-in-part and dissenting-in-part).

<sup>68</sup> See *id.* at 1351 (Dyk, J., concurring-in-part and dissenting-in-part).

<sup>69</sup> See *id.* at 1345-46 (Dyk, J., concurring-in-part and dissenting-in-part).

<sup>70</sup> See *id.* at 1349 (Dyk, J., concurring-in-part and dissenting-in-part).

<sup>71</sup> *In re Echostar Commc’ns Corp.*, 448 F.3d 1294 (Fed. Cir.), *cert. denied*, 127 S. Ct. 846 (Dec. 11, 2006).

<sup>72</sup> See *In re Seagate*, 2007 WL 2358677, at \*4.

<sup>73</sup> See *EchoStar*, 448 F.3d at 1299. In the court below, *EchoStar* purported to rely on “an in-house investigation supervised by in-house counsel.” The district court found that the opinion formed by in-house counsel and conveyed to *EchoStar* executives was a legal opinion and that *EchoStar* thus asserted reliance on advice of counsel and triggered a waiver of attorney-client privilege. See *id.* at 1299.

<sup>74</sup> See *id.*

<sup>75</sup> See *id.* at 1299, 1302-03.

<sup>76</sup> *Id.* at 1303-04.

<sup>77</sup> See *id.*

<sup>78</sup> See *id.* at 1299.

<sup>79</sup> See *In re Seagate*, 2007 WL 2358677, at \*4.

trial counsel communications.<sup>80</sup> There were two specific points in *EchoStar* that fueled the confusion.

The first point was sweeping language in the opinion regarding the scope of the waiver. The opinion stated that “when EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include Merchant & Gould.”<sup>81</sup> Many courts interpreted the language “with counsel other than in-house counsel” to mean “all other counsel, including trial counsel.”

This interpretation of the sweeping language was buttressed by *EchoStar*’s simultaneous citation to *Akeva*,<sup>82</sup> a case which extended waiver to trial counsel. *Akeva* had concluded that “all opinions received by the client relating to infringement must be revealed, even if they come from defendants’ trial attorneys, and even if they pre-date or post-date the advice letter of opinion counsel.”<sup>83</sup> Moreover, according to the *Akeva* court, if infringement was continuing during the litigation, “the waiver of attorney-client privilege or work product protection covers all points of time, including up through trial.”<sup>84</sup> A number of courts concluded (incorrectly, as *In re Seagate* revealed) that the *EchoStar* court by its citation of *Akeva* intended to incorporate all the reasoning in *Akeva*.

The second point in *EchoStar* that led to conflicting interpretations was a footnote discussing the temporal scope of waiver, accompanied by another citation to *Akeva*. In Footnote 4, the Federal Circuit addressed EchoStar’s argument that waiver of opinions does not extend to advice and work product after the complaint was filed.<sup>85</sup> After litigation began, EchoStar sought additional legal advice from Merchant & Gould, but then elected not to rely on it.<sup>86</sup> Rejecting EchoStar’s contention, the Federal Circuit stated that waiver of attorney-client privilege and work product-protected communications would continue into the post-complaint period if the alleged willful infringement was ongoing and remained an issue in the litigation.<sup>87</sup> This footnote was understood by some courts to confirm that waiver of privilege must be extended to trial counsel communications as long as the alleged infringement was continuing.

### **G. The Confusion in the Law After *EchoStar***

The problem of unpredictability in the privilege waiver law did not start with *EchoStar*. As one court stated in 2003, “[the] varying approaches to the scope of waiver are, of course, a matter of consternation to attorneys and their clients. They quite rightly want to know the

---

<sup>80</sup> See, e.g., *Iridex Corp. v. Synergetics, Inc.*, No. 4:05CV1916 CDP, 2007 U.S. Dist. LEXIS 7747, at \*2-3 (E.D. Mo. Feb. 2, 2007) (“[W]aiver applies to advice from trial counsel as well as formal opinion letters obtained from other lawyers.... I conclude that this result is required by the *EchoStar* decision itself.”).

<sup>81</sup> See *EchoStar*, 448 F.3d at 1299.

<sup>82</sup> *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003).

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> See *id.* at 1302 n.4.

<sup>86</sup> See *id.* at 1296.

<sup>87</sup> See *id.*

boundaries within which to operate ...”<sup>88</sup> But after *EchoStar*, the confusion deepened and the unpredictability became unmanageable. Before *EchoStar*, attorneys counseled their clients that they could minimize the risk that waiver associated with opinion counsel would be applied to trial counsel if they kept opinion counsel and trial counsel entirely separate. After *EchoStar*, no one had confidence in that advice. After *EchoStar*, if a waiver of trial counsel privilege was triggered, patent defense counsel was faced with the untenable situation that all relevant communications would have to be disclosed to the opposing party, up to and including during trial. The opposing party might as well join every client meeting and pull up a chair at counsel table during trial.

*EchoStar* was followed a few months later by a series of district court decisions that relied on *EchoStar* to extend waiver to trial counsel.<sup>89</sup> For the most part, the orders did not even address the draconian impact of the waiver on the defendant’s ability to defend itself. In some cases, the court stated or implied that it understood that *EchoStar* required them to reach that result.<sup>90</sup> There were some courts that took a “middle ground” and tried to narrowly tailor the waiver for trial counsel to minimize the disclosures, for example, limiting the waiver to communications that contradicted or cast doubt on the opinions that the defendant asserted reliance on.<sup>91</sup>

After *EchoStar*, then-District Judge Jordan<sup>92</sup> thoughtfully and thoroughly explained that *EchoStar* did not support extending waiver to separate and independent trial counsel.<sup>93</sup> In *Ampex*, the plaintiff sought all communications between Kodak and its trial counsel “bearing on the subject of infringement” on the grounds that “*Echostar* ... makes everything fair game for discovery.”<sup>94</sup> The *Ampex* court stated that, to the contrary, it did not believe that *EchoStar* showed “a desire by the Court of Appeals to have every communication a client has with its trial counsel on the very subject of an infringement trial open to review by opposing counsel.”<sup>95</sup> Plaintiff’s reading of *EchoStar*, the court stated, “[was] far too broad and [the plaintiff’s motion was] an extravagant demand at odds with the generally understood contours of the attorney-client privilege.” *Id.* at \*7. The *Ampex* court thus rejected that “[a]ny time trial counsel is talking to their client about infringement, [plaintiff is] entitled to know about it.” *Id.* at \*6. The *Ampex* court observed that “if all attorney-client discussions touching on the same subject were

---

<sup>88</sup> *Rhodia Chemie v. PPG Indus., Inc.*, 218 F.R.D. 416, 420 (D. Del. 2003)

<sup>89</sup> *See, e.g., Informatica Corp. v. Bus. Objects Data Integration*, 454 F. Supp. 2d 957 (N.D. Cal. 2006), *aff’d*, 2006 WL 2329460 (N.D. Cal. Aug. 9, 2006).

<sup>90</sup> *See, e.g., Iridex Corp. v. Synergetics, Inc.*, No. 4:05CV1916 CDP, 2007 U.S. Dist. LEXIS 7747, at \*2-3 (E.D. Mo. Feb. 2, 2007) (“[W]aiver applies to advice from trial counsel as well as formal opinion letters obtained from other lawyers. ... I conclude that this result is required by the *EchoStar* decision itself.”).

<sup>91</sup> *See, e.g., Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46 (D.D.C. 2006).

<sup>92</sup> Now Circuit Judge Jordan of the U.S. Court of Appeals for the Third Circuit.

<sup>93</sup> *Ampex Corp. v. Eastman Kodak Co.*, No. Civ. A. 04-1373-KAJ, 2006 U.S. Dist. LEXIS 48702 (D. Del. July 17, 2006). In many of the willful infringement cases that extended waiver to trial counsel, trial counsel and opinion counsel “overlapped,” *i.e.*, were either the same person or from the same firm. *See, e.g., Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp. 2d 418 (M.D.N.C. 2003). As then-District Judge Jordan observed, such overlap is “an unfortunate blending of roles that is, thankfully, rare and beyond the discussion provided here.” *Ampex Corp. v. Eastman Kodak Co.*, No. Civ. A. 04-1373-KAJ, 2006 U.S. Dist. LEXIS 48702, at \*11 n.4 (D. Del. July 17, 2006).

<sup>94</sup> *Id.* at \*2, \*6.

<sup>95</sup> *Id.* at \*9.

to be viewed as ‘advice’ or ‘opinions’ on a par with the legal opinions that were at issue in *EchoStar*, the [*EchoStar*] court’s comments would have to be understood as demolishing the practical significance of the attorney-client privilege” for patent defendants.<sup>96</sup> Judge Jordan determined that such a result would be flatly inconsistent with other portions of *EchoStar* and with the Federal Circuit’s jurisprudence regarding attorney-client privilege, particularly *Knorr-Bremse*, 383 F.3d at 1344.<sup>97</sup>

### III. The *In re Seagate* Opinion

#### A. Factual and procedural background of the *In re Seagate* case

In the lower court, the defendant Seagate had notified the plaintiffs of its intent to rely on an advice-of-counsel defense to willful infringement in accord with the scheduling order. Seagate made available its opinion counsel for deposition and produced all his work product from his files and from Seagate’s files.<sup>98</sup> The plaintiffs, however, sought discovery of all communications with trial counsel on the subject matter of the opinions. The plaintiffs argued that they must be allowed to probe broadly into Seagate’s “state of mind” regarding infringement, to test whether Seagate reasonably and actually relied on the opinions of opinion counsel. Seagate argued that such discovery of its trial attorneys must be denied because, among other reasons, it would disclose Seagate’s trial strategy and deny Seagate effective assistance of counsel and the right to a fair trial. Seagate also argued that waiver was unwarranted because (as was undisputed) trial counsel had operated separately and independently from opinion counsel at all times and there were no sword-and-shield issues.

The district court granted the plaintiffs’ motion to compel discovery of trial counsel communications. The district court found that “Seagate waived the attorney-client privilege for all communications between it and any counsel, including its trial attorneys and in-house counsel, concerning the subject matter of Sekimura’s opinions, *i.e.*, infringement, invalidity, and enforceability.”<sup>99</sup> The plaintiffs thereafter demanded discovery of communications with trial counsel and in-house counsel, and noticed the depositions of all Seagate’s senior trial attorneys.

After the district court denied a motion to certify the issue for interlocutory appeal under 28 U.S.C. § 1292(b), Seagate filed a petition for a writ of mandamus on September 29, 2006. On January 26, 2007, the Federal Circuit *sua sponte* ordered the case heard *en banc*.<sup>100</sup> In the *en banc* order, the Court invited the parties to address 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

---

<sup>96</sup> *Id.* at \*10.

<sup>97</sup> *See id.*

<sup>98</sup> The *In re Seagate* plaintiffs also took discovery of Seagate’s personnel, including in-house counsel. The *In re Seagate* Court did not reach the issue of privilege waiver for communications of in-house counsel. *See In re Seagate*, 2007 WL 2358677, at \*1 n.2.

<sup>99</sup> *In re Seagate*, 2007 WL 2358677, at \*1 (footnote omitted).

<sup>100</sup> *See id.* at \*2.

with that party's trial counsel? See *In re EchoStar Commc'n 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?<sup>101</sup>

The Federal Circuit was thus positioned to reconsider and overrule its prior willfulness precedent as well as to address the privilege waiver issues. Twenty-one amicus briefs were filed in the *en banc* proceeding. Oral argument was held on June 7, 2007.

## **B. The New “Objective Recklessness” Standard for Willful Infringement**

On August 20, 2007, the *In re Seagate* Court overruled its longstanding precedent, *Underwater Devices*, and abolished the “duty of due care” standard.<sup>102</sup> In its place, the Federal Circuit adopted a new minimum standard of objective recklessness for willful infringement. The Court began by noting that 35 U.S.C. § 284 contains no standard to guide the courts in awarding enhanced damages.<sup>103</sup> The Court explained that a “willfulness” standard is in accord with Supreme Court precedent regarding enhanced patent damages.<sup>104</sup>

The *In re Seagate* Court held that the proper minimum standard for “willful” conduct is recklessness.<sup>105</sup> To reach this conclusion, the Federal Circuit relied on common law standards, Supreme Court precedent, and on copyright law precedent from other circuit courts of appeals.<sup>106</sup> The Federal Circuit relied in particular on *Safeco Insurance Co.*, a Supreme Court case that issued on June 4, 2007, just three days before oral argument in this case.<sup>107</sup> As discussed during oral argument in this case, *Safeco* involved an analogous situation in which there was a reasonable dispute over the meaning of a statute.

---

<sup>101</sup> *In re In re Seagate Tech., LLC*. Misc. No. 830, 2007 WL 196403 (Fed. Cir. Jan. 26, 2007).

<sup>102</sup> *In re Seagate*, 2007 WL 2358677, at \*1.

<sup>103</sup> *See id.* at \*2.

<sup>104</sup> *See id.* Judge Gajarsa’s concurrence argued that the Federal Circuit incorrectly reads a “willfulness” requirement into the statute. *See id.* at 11. Judge Gajarsa thus advocated overruling *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576 (Fed. Cir. 1991), and its progeny. *See id.* Judge Gajarsa argued that enhanced patent damages are not solely punitive, but have historically had a remedial aspect as well. *See id.* at \*13. The Court explained in footnote 2 of the main opinion that it did not address Judge Gajarsa’s separate opinion because the issues he raised fell outside the scope of the *en banc* order. *See id.* at \*2 n.2.

<sup>105</sup> As *In re Seagate* states, the Supreme Court has determined that “[t]he word “willful” ... is generally understood to refer to conduct that is not merely negligent.” *See id.* at \*5 (quoting *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988)).

<sup>106</sup> *See id.* at \*5.

<sup>107</sup> *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (June 4, 2007). An audio recording of the oral argument in the *In re Seagate* case can be accessed at the Federal Circuit website at <http://www.cafc.uscourts.gov/oralarguments/> under Case Number 830.

The *Safeco* Court explained that, in the civil context, willfulness is equivalent to recklessness.<sup>108</sup> The Supreme Court stated that “[w]hile the term recklessness is not self-defining, the common law has generally understood it in the sphere of civil liability as conduct violating an *objective* standard: action entailing ‘an unjustifiably high risk of harm that is either known or so obvious that it should be known.’”<sup>109</sup> The Supreme Court found there was no objective *unreasonableness*, let alone *recklessness*, when the defendant advocated a reasonable interpretation of the statute whose meaning was unsettled.<sup>110</sup> A reading of the statute that “was not objectively unreasonable falls well short of raising the ‘unjustifiably high risk’ of violating the statute” required to establish reckless liability.<sup>111</sup> The Supreme Court further rejected the plaintiffs’ argument that “evidence of subjective bad must be taken into account in determining whether a company acted knowingly or recklessly” and that “evidence of subjective bad faith can support a willfulness finding even when the company’s reading of the statute is objectively reasonable.”<sup>112</sup> The Court stated that it was not appropriate to “to treat a defendant who merely adopts one such [possible] interpretation as a knowing or reckless violator.”<sup>113</sup> “Congress could not have intended such a result for those who followed an interpretation that could reasonably have found support in the courts, whatever their subjective intent may have been.”<sup>114</sup>

The Federal Circuit’s new standard for willful infringement is “objective recklessness.” This standard involves a two-step analysis. First, “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>115</sup> Notably, the accused infringer’s state of mind is not relevant to this objective analysis.<sup>116</sup> If the patentee satisfies this “threshold objective standard,” then—and only then—the patentee has an opportunity to make a second showing: that “this objectively-defined risk ... was either known or so obvious that it should have been known to the accused infringer.”<sup>117</sup> The Court left further development of this standard for future cases. The Federal Circuit noted, echoing Judge Newman’s concurrence,<sup>118</sup> that “among the factors a court might consider” in applying the new standard are “standards of commerce.”<sup>119</sup> The Federal Circuit expressly stated that “[b]ecause we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.”<sup>120</sup>

---

<sup>108</sup> See *Safeco*, 127 S.Ct. at 2208-09.

<sup>109</sup> See *id.* at 2215 (emphasis added and footnote omitted).

<sup>110</sup> See *id.* at 2215-16 & n.20.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

<sup>115</sup> *Id.* at \*5 (citing *Safeco*, 127 S. Ct. at 2215 (“It is [a] high risk of harm, objectively assessed, that is the essence of recklessness at common law.”)).

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> In her concurrence, Judge Newman pointed out that a “recklessness” standard does not entirely dovetail with the interests the law seeks to protect. See *id.* at \*18. The law is ultimately concerned with fostering reasonable commercial behavior that encompasses reasonable respect for the intellectual property rights of others. See *id.* Thus, she indicated, the standards should be those of fair commerce, not “recklessness.” See *id.* It would thus be left for “judicial wisdom to come to show the way, in the common-law tradition.” See *id.*

<sup>119</sup> *Id.* at \*5 n.5.

<sup>120</sup> *Id.* at \*5.

### C. Waiver of Attorney-Client Privilege

The Court then turned to the privilege waiver issue. The Federal Circuit held that waiver of attorney-client privilege triggered by the assertion of the advice-of-counsel defense does not extend to trial counsel.<sup>121</sup> “Recognizing the value of a common approach and in light of the new willfulness analysis set out above, we conclude that the significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel.”<sup>122</sup> Explicitly tying its holding to the new standard, the Court drew a line between trial counsel and opinion counsel.<sup>123</sup> The Court stated that this is not an absolute rule, however; courts retain their discretion to find waiver in “unique circumstances,” such as “chicanery.”<sup>124</sup>

The Federal Circuit thus found that communications of trial counsel are subject to special protection and that the “subject matter waiver” does not reach them. The Federal Circuit relied on its discussion in *Fort James*: “The widely applied standard for determining the scope of waiver ... is that the waiver applies to all other communications relating to the same subject matter.”<sup>125</sup> “Ultimately, however, ‘there is no bright line test for determining what constitutes the subject matter of a waiver, rather courts weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures.’”<sup>126</sup>

The Court discussed two rationales that supported finding that trial counsel communications should be given special protection. The first rationale relates to the special functions of trial counsel in our judicial system. The functions of trial and opinion counsel are different—they give fundamentally different types of legal advice.<sup>127</sup> On the one hand, “opinion counsel serves to provide an objective assessment for making informed business decisions.”<sup>128</sup> Trial counsel’s job, however, is strategy within the adversarial process.<sup>129</sup> Trial counsel “evaluates the most successful manner of presenting a case to a judicial decisionmaker.”<sup>130</sup> Classic sword and shield concerns do not apply to trial counsel.<sup>131</sup> Fairness thus dictates that trial counsel communications be protected against disclosure.<sup>132</sup> “In most cases, the demands of our adversarial system will far outweigh any benefits of extending waiver of attorney-client privilege to trial counsel.”<sup>133</sup> The Federal Circuit found strong support for this result in *Hickman v. Taylor*,<sup>134</sup> in which the Supreme Court emphasized the interests in protecting counsel’s trial

---

<sup>121</sup> *Id.* at \*9.

<sup>122</sup> *See id.*

<sup>123</sup> *See id.*

<sup>124</sup> *See id.*

<sup>125</sup> *Fort James Corp. v. Solo Cup Corp.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005), *cert. denied*, 126 S.Ct. 1768 (2006).

<sup>126</sup> *Id.* at 1349-50; *see also Zenith Radio Corp. v. United States*, 764 F.2d 1577, 1580 (Fed. Cir. 1985).

<sup>127</sup> *See In re Seagate*, 2007 WL 2358677, at \*7.

<sup>128</sup> *Id.*

<sup>129</sup> *See id.*

<sup>130</sup> *Id.*

<sup>131</sup> *See id.*

<sup>132</sup> *See id.*

<sup>133</sup> *Id.*

<sup>134</sup> *Hickman v. Taylor*, 329 U.S. 495, 510-11 (1947).

strategy from disclosure to the adversary.<sup>135</sup> Although *Hickman v. Taylor* was a work product case, it stands for the bedrock principle that trial strategy is sacrosanct, not to be disclosed to the other side, who may not operate on “wits borrowed from the adversary.”<sup>136</sup>

The second rationale was based on the distinction between prelitigation and postlitigation conduct as a basis for willful infringement claims. The Court went on to explain that because willful infringement is mainly grounded in prelitigation conduct, trial counsel’s communications “have little, if any, relevance warranting their disclosure.”<sup>137</sup> In view of Fed. R. Civ. P. 8 and 11, “a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct.”<sup>138</sup> Indeed, the Court’s discussion suggests that a willful infringement claim will typically *only* exist if it is grounded in *prelitigation* conduct: “[W]illfulness will depend on an infringer’s prelitigation conduct” under “ordinary circumstances.”<sup>139</sup>

The Court explained why.<sup>140</sup> For willful infringement that is based solely on post-filing conduct, the Court stated, the availability of preliminary injunctions will normally provide an adequate remedy.<sup>141</sup> “A patentee who does not attempt to stop an accused infringer’s activities in this manner [*i.e.*, by seeking a preliminary injunction] should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct.”<sup>142</sup> Moreover, “if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness.”<sup>143</sup> The Court further noted that “[a] substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.”<sup>144</sup>

It should be noted that the Court’s discussion of preliminary injunctions was specifically directed to evaluating claims of willful infringement based solely on postlitigation conduct. However, the same reasoning may apply to a patentee’s failure to obtain a preliminary injunction against infringement based on *prelitigation* conduct. Therefore, if a patentee makes an attempt to obtain a preliminary injunction but fails to show a likelihood of success, the district court may find that the patentee cannot maintain a claim for willful infringement, regardless of whether the accused conduct was prelitigation or postlitigation. The Federal Circuit recognized that there are

---

<sup>135</sup> The Federal Circuit did not address Seagate’s arguments that stripping attorney-client privilege for trial counsel communications violated Seagate’s right to a fair trial and right to effective assistance of counsel.

<sup>136</sup> *Hickman v. Taylor*, 329 U.S. 495, 516 (1947).

<sup>137</sup> *See In re Seagate*, 2007 WL 2358677, at \*8.

<sup>138</sup> *Id.* at \*8.

<sup>139</sup> *Id.* at \*8.

<sup>140</sup> For example, normally, the only basis for willful infringement will be postlitigation conduct when the accused infringer has no notice of the patent before the complaint is filed or when a new, unrelated patent issues during the pendency of the litigation and is added to the case.

<sup>141</sup> *See In re Seagate*, 2007 WL 2358677, at \*8.

<sup>142</sup> *See id.*

<sup>143</sup> *See id.*

<sup>144</sup> *See id.* The Court recognized that preliminary injunctions are sometimes denied even though a likelihood of success on the merits has been shown. In those cases, whether a willfulness claim exists will depend on the specific facts of the case. *See id.*

other factors that may lead to the denial of a preliminary injunction.<sup>145</sup> However, a patentee's failed attempt to establish a likelihood of success on the merits during a preliminary injunction proceeding may be essentially dispositive of objective recklessness. In other words, the patentee's inability to show likelihood of success on its patent infringement claim makes it probable that the patentee cannot make the high showing of clear and convincing evidence that the patentee must meet to show its entitlement to enhanced damages.<sup>146</sup>

#### D. Waiver of Work Product Immunity

Likewise, with respect to work product, the Court held that waiver does not extend to trial counsel, "absent exceptional circumstances."<sup>147</sup>

In a preliminary discussion of the work-product doctrine, the Court noted that work product protection differs from attorney-client privilege because the privilege provides absolute protection from disclosure.<sup>148</sup> By contrast, work product protection is qualified, that is, the protection may be overcome by a showing of sufficient need or undue hardship.<sup>149</sup> However, the showing required to obtain "mental process work product" is higher than for "fact work product."<sup>150</sup> Indeed, mental process work product is subject to "nearly absolute" protection.<sup>151</sup> Moreover, work product protection applies to both "documents and tangible things" as set forth in Fed. R. Civ. P. 26(b)(3) and to "nontangible" work product, *i.e.*, work product that has not been memorialized in writing.<sup>152</sup> If this were not the rule, litigants could circumvent work product protection by noticing attorneys for deposition and eliciting their testimony regarding written work production in their files.<sup>153</sup> This discussion clarifies the discussion of work product doctrine in *EchoStar*, which focused on documents and tangible work product.<sup>154</sup>

The *In re Seagate* Court stated that the same reasoning that supports protecting attorney-client privilege for trial counsel communications "*applies with even greater force*" to work product of trial counsel.<sup>155</sup> Again, the general rule holds absent "exceptional circumstances" such as "chicanery."<sup>156</sup> The Court discussed the Supreme Court case of *United States v. Nobles*,<sup>157</sup> where the Supreme Court approved a narrow scope of waiver to protect the work

---

<sup>145</sup> *See id.*

<sup>146</sup> *See id.*

<sup>147</sup> *See id.* at \*9.

<sup>148</sup> *See id.*

<sup>149</sup> *See id.*

<sup>150</sup> *See id.*

<sup>151</sup> *See id.*

<sup>152</sup> *See id.* at \*11.

<sup>153</sup> *See id.*

<sup>154</sup> *See EchoStar*, 448 F.3d at 1301.

<sup>155</sup> *See In re Seagate*, 2007 WL 2358677, at \*10. Other circuit courts of appeals have indicated that the analysis for work product would follow the same contours as for attorney-client privilege. *See Bittaker*, 331 F.3d at 722 n.6. ("[this analysis] applies equally to the work product privilege, a complementary rule that protects many of the same interests"); *In re Lott*, 424 F.3d 446, 448 n.1 (6th Cir. 2005) (citations omitted) (fairness concerns associated with protecting the attorney-client privilege apply with equal force to the work product privilege).

<sup>156</sup> *See id.* at \*9, \*10.

<sup>157</sup> 442 U.S. 225 (1975).

product of criminal defense counsel.<sup>158</sup> The Federal Circuit explained that the plaintiffs in *In re Seagate* had been given discovery of opinion counsel's work product and allowed to depose him, and that was the appropriate extent of waiver.<sup>159</sup>

#### IV. The Scope of the Waiver After Seagate

##### A. The Scope of Discovery

The scope of waiver cannot be discussed apart from the proper scope of discovery. The lower courts will be called upon to reconsider the proper subjects and scope of discovery for willfulness claims. In determining how to apply this new standard and determine the scope of waiver, the first question is whether the patentee can state a claim and, if so, what discovery is appropriate. As the Federal Circuit stated in *Seagate*, “[t]he ultimate dispute in this case is the proper scope of discovery. . . . [I]t is indisputable that the proper legal standard for willful infringement informs the relevance of evidence relating to that issue, and, more importantly here, the proper scope of discovery.”<sup>160</sup> No scope of waiver is appropriate without a showing that it is within the proper scope of discovery.

The first issue is whether the patentee has shown its entitlement to relief under the basic standards of Fed. R. Civ. P. 8(a). “The threshold requirement of Rule 8(a)(2) [is a] ‘plain statement’ [that] possess[es] enough heft ‘to show that the pleader is entitled to relief.’”<sup>161</sup> To survive dismissal under Fed. R. Civ. P. 12(b)(6), the plaintiff must establish the grounds upon which his claim rests through factual allegations adequate “to raise a right to relief above the speculative level.”<sup>162</sup> The standard should be whether the complaint contains sufficient factual allegations of objective recklessness to render a willful infringement claim plausible in view of the clear and convincing burden of proof. If the plaintiff cannot state a claim, or if the plaintiff cannot make an adequate showing of objective recklessness, then the plaintiff should not be entitled to *any* discovery. If the plaintiff is entitled to discovery on its claim, the permissible scope of discovery must be determined in light of the new standard and what is relevant evidence under it.

The Federal Circuit was silent on the sufficiency of the willfulness allegations in the *In re Seagate* case; that question was not before the Court. Interestingly, however, the *In re Seagate* opinion refers to discovery that actually took place in the *In re Seagate* case but apparently would no longer be relevant under the new standard. In the part of the opinion discussing the lack of relevance of trial counsel's communications to willful infringement, the Federal Circuit made the following observation:

Here, the opinions of *Seagate*'s opinion counsel, received after suit was commenced, appear to be of similarly marginal value. Although the reasoning contained in those opinions ultimately may preclude *Seagate*'s conduct from

---

<sup>158</sup> See *In re Seagate*, 2007 WL 2358677, at \*8.

<sup>159</sup> See *id.*

<sup>160</sup> *Id.* at \*6.

<sup>161</sup> *Bell Atl. Corp. v. Twombly*, 127 S. Ct. 1955, 1966 (quoting Fed. R. Civ. P. 8(a)).

<sup>162</sup> *Id.* at 1965.

being considered reckless if infringement is found, reliance on the opinions after litigation was commenced will likely be of little significance.<sup>163</sup>

The plaintiffs in *In re Seagate* took discovery of opinion counsel and its communications with Seagate. The new standard requires that willful infringement asserted in the complaint be fully grounded in prelitigation conduct. From the defense standpoint, Seagate's formal opinions remain highly relevant because "the reasoning contained in [Seagate's] opinions ultimately may preclude Seagate's conduct from being considered reckless."<sup>164</sup> All else equal, however, the opinions are no longer relevant for Seagate's "reliance on the opinions after litigation was commenced."<sup>165</sup> Thus, if discovery were taking place for the first time now, the *In re Seagate* plaintiffs should not be given full discovery into Seagate's "state of mind" to the extent of actual reliance on the written opinions that were not received until litigation had already begun. The temporal and subject-matter scope of the waiver imposed by the Court would be different today.

Thus, the temporal scope of relevant discovery may be different and narrower in many cases after *In re Seagate*. The scope of discovery in general may be more limited because the relevant issues are different. Waiver of privilege should be limited at most to those matters that are relevant. The *In re Seagate* and *Safeco* opinions suggest that evidence of subjective bad faith will not be relevant in many cases where there is solid evidence of a substantial question of invalidity, noninfringement, and/or unenforceability. Discovery and the "subject matter" of waiver should no longer extend to all information that may elucidate the accused infringer's state of mind. It is presently unclear, however, to what extent courts may permit discovery into the accused infringer's subjective knowledge, under the second prong of the willfulness analysis.

The *In re Seagate* Court's discussion of the Supreme Court's opinion in *United States v. Nobles*,<sup>166</sup> a work-product case, is instructive. In *Nobles*, a defense attorney cross-examined two eye witnesses using information in the report of the defense's investigator.<sup>167</sup> The defense later attempted to call the investigator to testify. The lower court ruled that, if the investigator testified, the portions of his report relating to his testimony, but only those portions, must be disclosed.<sup>168</sup> The Supreme Court agreed with the "quite limited" scope of waiver imposed by the trial court and its ruling refusing to allow a "fishing expedition" into the defense files and the rest of the investigator's report.<sup>169</sup> Thus, the *Nobles* Court approved a scope of waiver that would allow the adversary to test the content of the report as it was specifically relied on, but not all possibly related issues. By that reasoning, the waiver, if any, under the new standard should be limited to evidence that is directly probative of the content and objective reasonableness of the opinions.

---

<sup>163</sup> *Id.* at \*9.

<sup>164</sup> *Id.*

<sup>165</sup> *Id.*

<sup>166</sup> 442 U.S. 225 (1975).

<sup>167</sup> *See id.*

<sup>168</sup> *See id.*

<sup>169</sup> *See id.*

## B. Privilege Waiver for Opinion Counsel and Trial Counsel

*In re Seagate* did not directly address opinion counsel. *In re Seagate* leaves undisturbed the general rule of *EchoStar* and earlier precedent that all communications of opinion counsel within the same subject matter must be disclosed. Consistent with the above discussion, the “same subject matter” may be defined differently after *In re Seagate*. Presumably, the reasoning of other formal opinions received by the defendant are relevant to assess the objective reasonableness of any analysis of invalidity, infringement, and/or enforceability offered to refute objective recklessness.

*In re Seagate* sets forth the general rule for trial counsel: There should be no extension of waiver to trial counsel communications, except possibly in unique circumstances such as “chicanery.”<sup>170</sup> This holding should eliminate the confusion in the lower courts regarding the interpretation of *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).<sup>171</sup> *In re Seagate* effectively overrules Footnote 4 of *EchoStar*, which indicated that the waiver will extend into the post-complaint period as long as the alleged infringement is continuing. Under the new analysis, the postlitigation period is far less likely to be relevant.

*In re Seagate* eliminates, but only in part, the Hobson’s choice faced by patent defendants whether to assert the defense and then risk being stripped of all privilege for trial counsel, since it does not address the scope of any waiver with respect to in-house counsel (see *infra*). It thus addresses in part the anomalous result that patent defendants who attempted to meet their duty of due care by obtaining opinions (and are stripped of trial counsel privilege) found themselves worse off under the law than defendants who did not obtain opinions (but retained privilege).

The *In re Seagate* opinion does not address the case where trial counsel acts as formal opinion counsel. As the *In re Seagate* opinion mentions, it was undisputed that trial counsel and opinion counsel were separate and independent in the *In re Seagate* case.<sup>172</sup> Until the case law develops, it should be assumed that there is a significant risk of extension of waiver to trial counsel if opinion and trial counsel are the same or interact with one another.

## C. In-house counsel

*In re Seagate* does not analyze the scope of waiver for in-house counsel. The Federal Circuit specifically stated in a footnote that it did not reach the issue of in-house counsel, which was not part of the *en banc* order. The Court further explained that “the nature and role of in-house counsel is entirely unclear” on the record before it.<sup>173</sup>

This is a difficult issue and it is hard to predict how it will be resolved by the courts. It is clear that the protection of trial counsel communications would be defeated if in-house counsel could simply be deposed to learn trial counsel’s advice. The *In re Seagate* Court cannot have

---

<sup>170</sup> *In re Seagate* leaves open the extension of waiver to trial counsel under unique circumstances, such as when the accused infringer and his counsel engages in chicanery. *See id.*

<sup>171</sup> *See id.* at \*4.

<sup>172</sup> *See In re Seagate*, 2007 WL 2358677, at \*1.

<sup>173</sup> *Id.* at \*1 n.2.

intended that plaintiffs could circumvent the protection given to trial counsel communications simply by deposing in-house counsel. To that extent, the protection given trial counsel must extend in the same way to in-house counsel.

More generally, we can expect the courts to apply the same basic principles and framework as used in *In re Seagate* to analyze whether waiver should extend to in-house counsel. That is, the role and functions of in-house counsel will be considered and compared to trial counsel versus opinion counsel. As described above, the *In re Seagate* court drew a bright line between opinion counsel that provides objective analysis as input to business decisions and trial counsel that is engaged in the adversarial process. There will be no bright-line rule for in-house counsel. In-house counsel perform both types of functions, and an individual in-house attorney may straddle both roles.

In some cases, in-house counsel may function literally as formal opinion counsel giving a prelitigation opinion. If so, it is likely that in-house counsel will be treated like opinion counsel, at least during the prelitigation period. At the other extreme, in-house counsel may function solely in a litigation-related role. In that case, in-house counsel should be given the full protection available to trial counsel, for the same reasons as discussed in the *In re Seagate* opinion for trial counsel.

Where the same attorney fulfills both roles, the result is unpredictable, and the risk is substantial that waiver will apply. Lawyers will likely continue to counsel their clients that the risk of waiver of trial-strategy communications may be reduced by a screening wall to keep separate the in-house lawyers who deal with opinion counsel and those who supervise outside trial counsel. As amici in this case pointed out, however, it is burdensome, if not impossible, for smaller companies to maintain separate trial counsel, much less separate in-house counsel to deal with multiple outside counsel.<sup>174</sup>

Therefore, the district courts will be called upon to exercise a flexible approach. As a rule, in-house counsel should be protected to the extent that it functions in the same way as trial counsel or to supervise trial counsel. The *In re Seagate* Court was absolutely correct to look *Hickman v. Taylor* for the guiding principle that the adversarial process must be protected. In-house counsel's communications should be shielded whenever the privileged material was prepared in anticipation of litigation and will reveal litigation strategy. If waiver is appropriate, the temporal scope of waiver should be tailored so that waiver will apply only to the prelitigation period.

#### **D. Other in-house personnel and in-house investigations**

*EchoStar* may make it effectively impossible for companies to rely on in-house investigations to counter charges of willful infringement without creating a waiver of privilege, or at least loss of work-product immunity. *EchoStar* relied on such an investigation, and then contended that it was not an opinion of counsel. The district court found that the in-house investigation did result in an opinion of counsel, and, thus, did trigger a waiver of privilege. The

---

<sup>174</sup> See Amicus Brief of the Federal Circuit Bar Ass'n at 7.

Federal Circuit determined that the district court did not abuse its discretion because the investigation was supervised by in-house counsel and resulted in a legal opinion from in-house counsel conveyed to EchoStar executives.

The uncertainty is whether the waiver in *EchoStar* may not extend to all in-house investigations. The risk is clear that courts may not distinguish between different types of in-house investigations. However, it may be possible to conduct and rely on an in-house investigation without triggering waiver if in-house counsel does not supervise the investigation, does not generate any type of legal opinion, and does not play any role in conveying the result of the investigation to management—an unlikely scenario.

It appears that the law may not currently provide the proper incentives for companies to undertake in-house investigations to determine whether their activities might be infringing. This is unfortunate. However, even if a court, as in *EchoStar*, finds that the report from an in-house investigation is a legal opinion, the scope of subject-matter waiver triggered by reliance on the opinion may be narrow.

## **V. *In re Seagate* Will Likely Reduce the Use of Opinions and Change the Way Opinions Are Used**

### **A. Some Defendants May Continue To Use Opinions as If Nothing Has Changed**

Seagate sets forth a new framework, but what *In re Seagate* means will be uncertain until the lower courts have applied it to a range of fact patterns. The *In re Seagate* opinion suggests that willful infringement claims must be based on prelitigation conduct.<sup>175</sup> The following discussion is directed to situations where there are allegations of willfulness based on prelitigation conduct.

Where the patentee gives notice of a dispute or threatens litigation, many attorneys may continue to advise their clients to obtain opinions promptly upon such notice as a conservative measure. This can be based on a simple cost-benefit analysis: In many cases, the cost of a single opinion will be far less than the amount at stake in a patent lawsuit. The Federal Circuit indicated in *In re Seagate* case that the reasoning contained in Seagate’s formal opinions may serve to “preclude” a finding of willful infringement.<sup>176</sup> The postlitigation timing of those opinions makes Seagate’s reliance on them of little relevance under the new standard, but the reasoning in those opinions is relevant to refute objective recklessness.<sup>177</sup> The Supreme Court’s *Safeco* case, on which the Federal Circuit relied in *In re Seagate*, also explained that a defendant who adopts an objectively reasonable interpretation of the law should not be subject to liability as a knowing or reckless violator and rejected the argument that alleged subjective bad faith can be taken into account.<sup>178</sup> Thus, the existence of an opinion that shows a substantial question of

---

<sup>175</sup> As discussed earlier, the Federal Circuit appeared to signal the district courts that they should refuse to recognize claims for willful infringement based on solely post-filing conduct.

<sup>176</sup> *See id.* at \*8.

<sup>177</sup> *See In re Seagate*, 2007 WL 2358677, at \*8.

<sup>178</sup> *See Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2215-16 & n.20 (June 4, 2007).

invalidity or noninfringement obtained upon notice of a patent may be sufficient to defeat a charge of willful infringement, even if the opinions are not obtained promptly.

There are two ways in which a formal opinion of counsel is relevant to determining whether the defendant's conduct was objectively reckless. First, the fact that the defendant obtained an opinion *promptly* is evidence of nonrecklessness, as it was before *In re Seagate*. But alternatively, as the Federal Circuit indicated in *In re Seagate* case, a formal opinion is relevant to show the existence of a substantial question of noninfringement, invalidity, or unenforceability. This use of the opinion is apparently not tied to the timing of obtaining the opinion or the timing of reliance on the opinion.<sup>179</sup> Even if, as in *In re Seagate*, the opinion is obtained after litigation begins, the opinion should be relevant as evidence that the defendant had objectively reasonable meritorious defenses. Thus, companies may choose to continue a practice of obtaining formal opinions of counsel because it is the safest, surest course.

After *In re Seagate*, a competent opinion letter will apparently be relevant to show, at a minimum, the existence of a substantial question of noninfringement or invalidity. It should be noted that the fact that a patent-in-suit is in reexamination may have the same effect. That the U.S. Patent & Trademark Office has found a substantial new question of patentability<sup>180</sup> may also be used to establish that a defendant has meritorious substantive defenses in the action. If so, filing a third-party request for reexamination may be a less expensive alternative to obtaining a formal opinion.

For companies that receive many notice letters every year, however, continuing the status quo these may not be a practicable approach to the problem of defending against willfulness claims.

#### **B. *In re Seagate* Contemplates Fewer Willfulness Claims to Defend Against and Reduced Use of Opinions**

The above approach reads much of the potential impact out of *In re Seagate*. Thus, it is to be hoped that the district courts may view *In re Seagate* as authorizing them to dismiss legally insufficient willfulness claims. As the case law develops, if it becomes clear that opinions are needed only in particular circumstances and fact patterns, defendants will be able to safely reduce the use of opinions.

The Federal Circuit signaled that opinions will still play an important role in the defense against willfulness. The Federal Circuit stated that opinions serve the important function of providing an objective assessment on which informed business decisions are made.<sup>181</sup> Further, by creating a bright-line rule to protect trial counsel, the Court eliminated the Hobson's choice associated with the risk that the use of opinions will result in the loss of all privilege for trial counsel.<sup>182</sup> Thus, the Federal Circuit's resolution of the waiver issue paves the way for the continued use of opinions. Indeed, the Federal Circuit specifically pointed to the potential

---

<sup>179</sup> *Id.* at \*9.

<sup>180</sup> *See* 35 U.S.C. § 304; Manual of Patent Examining Procedure 2216 (August 2006).

<sup>181</sup> *See id.* at \*7.

<sup>182</sup> *See id.* at \*9.

impact of Seagate’s existing opinions: The “reasoning contained in [the opinions of opinion counsel relied on by Seagate] may preclude Seagate’s conduct from being considered reckless if infringement is found.”<sup>183</sup>

The most important point to be made, however, is that the Court plainly stated that there is *no affirmative duty* to obtain opinions.<sup>184</sup> This *must* mean what it says, that there is never any *duty* to obtain an opinion. This change in the law opens the door to a dramatic decrease in the compulsion to obtain opinions to defend against willful infringement. It should also reduce pressure on potential defendants to obtain opinion letters based on nothing more than mere awareness of a patent.

But depending on the facts, a trier of fact may conclude that it was *reasonable commercial behavior* to obtain an opinion. A potential defendant may still get into trouble if it does not obtain an opinion. After *In re Seagate*, courts should look with skepticism on claims where a patentee gives vague notice to an accused infringer, and then sits back expecting the treble damages to start accruing. The spirit, if not the letter, of *In re Seagate* will be thwarted if the burden shifts at this point to the potential defendant to hire a lawyer to analyze its defenses in a formal opinion. Under *In re Seagate*, it should be much more difficult for the patentee to trigger a right to enhanced damages based solely on notice provided to the potential defendant. At a minimum, it should require detailed notice. Again, however, we must rely on the district courts to demonstrate that they will use *In re Seagate* to protect defendants and reduce the “practical concerns” that the new *In re Seagate* standard tried to address.

### **C. To What Extent Is It Safe to Monitor Competitors’ Patents? It Isn’t.**

*In re Seagate* by itself does little to relieve concerns about monitoring competitors’ patents. Mere awareness of a patent, without more, should not suffice to set the stage for a finding of willful infringement, because the accused infringer has no duty to check whether it is infringing every patent it knows about. The difficult situation will arise when the potential defendant learns of a patent and enough information to support a reasonable concern that it may infringe the patent. If a person in the shoes of the potential defendant would have reasonable concerns or questions regarding potential infringement, does the potential defendant risk being found reckless if it does not investigate and/or get legal advice? Does it matter that there is no “affirmative duty” to get an opinion? Is there some point at which a trier of fact can conclude that reasonable standards of commerce were violated by the failure to take the next step of investigating one’s legal position?

We should assume that the answer to the last question may be yes. The Federal Circuit noted that “among the factors a court might consider” in applying “objective recklessness are “standards of commerce.”<sup>185</sup> In her concurring opinion, Judge Newman expressed her view that “[t]he standards of behavior by which a possible infringer evaluates adverse patents should be the standards of fair commerce, including reasonableness of the actions taken in the particular

---

<sup>183</sup> *Id.* at \*9.

<sup>184</sup> *See* 2007 WL 2358677, at \*5.

<sup>185</sup> *Id.* at \*5 n.5.

circumstances.”<sup>186</sup> If a firm chooses to monitor others’ patents, then it runs a risk that it will learn facts that a reasonable, law-abiding person would not ignore in light of its present or planned conduct. It is unfortunate that it is not clear that the law will try to protect instead of discourage incentives to become aware of others’ patents and thus foster innovation.

## **VI. Conclusion**

It is likely that *In re Seagate* is the beginning of a new approach to claims of willful patent infringement. The Federal Circuit has provided the basis for the lower courts to scrutinize willfulness claims at an early stage and hold the patentee to a high standard. The trend may be to a narrower scope of discovery, and thus privilege waiver, and less frequent use of opinions to defend against willfulness. Many questions remain, however, and it will be interesting to see whether the lower courts respond by providing practical, achievable guidelines for clients.

MPK 133115-1.009900.0010

---

<sup>186</sup> *Id.* at \*18.