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## Copycats, Relax - The Federal Circuit Lightens up on Willful Patent Infringement

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## NOTES

# Copycats, Relax! The Federal Circuit Lightens Up on Willful Patent Infringement

*In re Seagate Technology, LLC*<sup>1</sup>

### I. INTRODUCTION

“Willful” infringement is alleged in over 90% of patent cases.<sup>2</sup> This is primarily because, under the Patent Act and Federal Circuit case law, a finding of willful infringement gives trial judges the discretion to award treble damages and attorney’s fees to the patentee.<sup>3</sup> Given that patent infringement actions can carry litigation fees of two million dollars or more, an award of punitive damages is a serious threat to accused infringers.<sup>4</sup> A common and powerful defense to a willful infringement allegation is reasonable reliance on an opinion of counsel.<sup>5</sup> Using this defense, the accused infringer can prove he acted in good faith and in accordance with his duty of care because he reasonably relied on an attorney’s opinion, usually in the form of an opinion letter, that he was not infringing.<sup>6</sup> However, in order to assert this defense, the plaintiff must disclose the relied upon opinion letter and waive attorney-client and work product privileges as to the subject matter of the opinion.<sup>7</sup> District courts differ widely as to the scope of this waiver, with some even holding that this waiver extends to the defendant’s communications with trial counsel in addition to opinion counsel.<sup>8</sup> Thus, in these cases, accused patent infringers face a dilemma as to which to forego: a potentially powerful defense to a patentee’s claim of willfulness or attorney-client and work product privileges, possibly even as to trial counsel.<sup>9</sup>

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1. 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

2. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 232 (2004). Of the 1,721 cases in the study’s data set, all of which terminated between 1999 and 2000, “a willfulness charge was alleged in the originally filed complaint in 92.3% of the cases.” *Id.* at 230, 232.

3. *Id.* at 227; 35 U.S.C. § 284 (2000).

4. Moore, *supra* note 2, at 227.

5. *Seagate*, 497 F.3d at 1369.

6. *Id.*

7. Shamita D. Etienne-Cummings, *The Utility of Opinion of Counsel*, 910 PRACTISING L. INST./PAT. LITIG. 1073, 1077-78 (2007).

8. *Genentech, Inc. v. Insmid, Inc.*, 442 F. Supp. 2d 838, 842 (N.D. Cal. 2006) (“In the wake of *EchoStar*, some courts have concluded that waiver should extend to trial counsel, while other courts have disagreed; still others have found waiver but only on a limited basis.”).

9. *See* Etienne-Cummings, *supra* note 7, at 1077-78.

In *In re Seagate Technology*, the Federal Circuit was asked to vacate the rulings of the United States District Court for the Southern District of New York that allowed the patentee-plaintiff to obtain discovery of the work product of the defendant's trial counsel that was communicated to the defendant.<sup>10</sup> The Federal Circuit, *sua sponte*, ordered an en banc review of the petition and issued a general rule as to the scope of the waiver affected by the use of an opinion counsel.<sup>11</sup> The court stated that, ordinarily, the scope of the privilege waiver would only extend to opinion counsel, not to trial counsel.<sup>12</sup> The Federal Circuit then elected to overrule its own 24-year-old *Underwater Devices* decision and lightened the standard of care imposed on a potential infringer to determine whether he is infringing on another's patent.<sup>13</sup>

## II. FACTS & HOLDING

Seagate Technology, Inc. ("Seagate") was one of the defendants in *Convolve, Inc. v. Compaq Computer Corp.*<sup>14</sup> In April of 1990, Convolve, Inc. ("Convolve") received two United States patents on their "Input Shaping" technology (the "'635 patent" and the "'267 patent") which reduces vibrations associated with machine movement and, thus, allows a machine to run more rapidly and quietly.<sup>15</sup> On November 6, 2001, a third patent was issued to Convolve (the "'473 patent") on its "Quick and Quiet" technology – a computer control panel application permitting users to choose between the fastest or the quietest performance for a system's disk drives.<sup>16</sup> According to Convolve, defendant Compaq Computer Corporation ("Compaq") entered negotiations with Convolve regarding a licensing agreement for the '635 patent.<sup>17</sup> However, because Compaq did not manufacture disk drives, it enlisted the aid of Seagate to evaluate the technology.<sup>18</sup> Convolve alleged that when Seagate began the evaluation of Convolve's technology, it had nothing that compared to Convolve's technology and that "Seagate saw the value of Convolve's pioneering technology, but, rather than pursuing a license, Seagate undertook to copy the technology and to pass it off as its own."<sup>19</sup> Convolve

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10. *Seagate*, 497 F.3d at 1367.

11. *Id.* at 1374, 1376.

12. *Id.* at 1374.

13. *Id.* at 1365.

14. 224 F.R.D. 98, 99 (S.D.N.Y. 2004), *vacated sub nom. Seagate*, 497 F.3d 1360.

15. *Id.*

16. *Id.*

17. Opposition of Respondents Convolve, Inc. and Massachusetts Institute of Technology to the En Banc Petition of Seagate Technology LLC for a Writ of Mandamus to the United States District Court for the Southern District of New York at 11, *Seagate*, 497 F.3d 1360 (No. 830), 2007 WL 1685896.

18. *Id.*

19. *Id.* at 12-13.

filed an initial complaint against Seagate and Compaq in July of 2000, alleging, among other things, theft of trade secrets and willful patent infringement of the '635 and '267 patents.<sup>20</sup>

Prior to the lawsuit, Seagate retained the services of attorney Gerald Sekimura to provide a legal opinion as to the validity of Convolve's patents;<sup>21</sup> although Seagate did not receive the first of these opinions until after Convolve's complaint was filed.<sup>22</sup> Mr. Sekimura eventually issued three opinions, concluding that Convolve's claims were without merit.<sup>23</sup> Seagate notified Convolve of its intent to rely on Mr. Sekimura's opinions to rebut a finding of willfulness, disclosed Mr. Sekimura's entire work product, and made Mr. Sekimura available to Convolve for deposition.<sup>24</sup> However, Convolve moved to compel discovery of "any communications and work product of Seagate's other counsel, including its trial counsel."<sup>25</sup> Convolve alleged that, by asserting the advice-of-counsel defense to willfulness, Seagate waived attorney-client and work product privileges with respect to *any* counsel Seagate consulted, including in-house counsel and trial counsel, from the time Seagate became aware of Convolve's patents until Seagate ceased its infringing activity.<sup>26</sup>

The district court ruled that Seagate waived privilege with respect to any work product relating to the same subject matter that was actually communicated to them regardless of *which* counsel was responsible for the work prod-

20. *Convolve*, 224 F.R.D. at 99. Convolve later amended the complaint to include willful infringement of the '473 patent. *Id.*

21. *Seagate*, 497 F.3d at 1367. The district court in *Convolve* stated that Mr. Sekimura was retained *after* the initial lawsuit was filed. *Convolve*, 224 F.R.D. at 99. However, Seagate stated in its brief to the Federal Circuit that Mr. Sekimura was retained in May 2000, *prior* to the initiation of the lawsuit. Brief of Petitioner Seagate Technology LLC at 12, *Seagate*, 497 F.3d 1360 (No. 830), 2007 WL 1571343. Still, Convolve states in its brief to the Federal Circuit that Seagate "chose to obtain legal opinions on patent infringement, validity, and enforceability after the lawsuit was filed." Opposition of Respondents Convolve, Inc., *supra* note 17, at 2. Later in Convolve's brief, though, it is alleged that Seagate retained Mr. Sekimura's services in May 2000. *Id.* at 15.

22. *Seagate*, 497 F.3d at 1366.

23. *Id.* The first of Mr. Sekimura's opinions related to the '635 patent, the '267 patent, and an international patent application filed by Convolve which was significantly similar to the future '473 patent. *Id.* Mr. Sekimura concluded that the plaintiffs had failed to show infringement by Seagate's current products. *Id.* The second opinion came to the same conclusions, but added as to the '267 patent, that many of the claims "may be unenforceable due to incomplete disclosures of prior art by the inventors." *Convolve*, 224 F.R.D. at 100. Mr. Sekimura's final opinion stated that, as to the '473 patent, Seagate was not infringing and that the plaintiffs' claims were invalid. *Seagate*, 497 F.3d at 1366.

24. *Id.*

25. *Id.*

26. *Id.* at 1366-67.

uct;<sup>27</sup> however, it would not be required to disclose attorney work product that remained uncommunicated.<sup>28</sup> Thus, Seagate was required to produce the requested documents, though the court did “[provide] for *in camera*<sup>29</sup> review of documents [related] to trial strategy.”<sup>30</sup> The district court specified that any advice from Seagate’s trial counsel that would undermine the reasonableness of Seagate’s reliance on Mr. Sekimura’s opinions would be discoverable.<sup>31</sup>

Seagate then petitioned the district court to stay the discovery orders and certify an interlocutory appeal.<sup>32</sup> After the district court denied the appeal, Seagate petitioned the Federal Circuit for a writ of mandamus to review the district court’s discovery ruling that the scope of waiver extended to Seagate’s communications with its trial counsel.<sup>33</sup> Seagate argued that the scope of the waiver applied by the district court was too broad as a matter of public policy and reflected a misinterpretation of prior Federal Circuit case law.<sup>34</sup> Seagate asserted that the Federal Circuit’s decision in *In re EchoStar Communications Corp.*<sup>35</sup> is entirely consistent with Seagate’s position and that cases interpreting *EchoStar* to extend the waiver to trial counsel have misconstrued the law.<sup>36</sup> Seagate also argued that extending the waiver to trial counsel is contrary to public policy as it would effectively remove the advice-of-counsel defense as a viable option because the protection of the attorney-client privilege would be so severely limited.<sup>37</sup>

Conversely, Convolve argued for a broader application of the waiver – specifically an application that covered advice received by Seagate from its in-house and trial counsel.<sup>38</sup> In support of this contention, Convolve argued that Seagate’s “selective waiver” rule would create injustice, particularly in this instance, because Seagate claimed to have relied on three opinions received only after the litigation was initiated.<sup>39</sup> Thus, “[b]y the time Seagate received each of these post-litigation opinions, its state of mind was fully

27. *Id.* at 1366-67.

28. *Convolve*, 224 F.R.D. at 107.

29. “In the judge’s private chambers.” BLACK’S LAW DICTIONARY 775 (8<sup>th</sup> ed. 2004).

30. *Seagate*, 497 F.3d at 1367.

31. *Id.*; *Convolve*, 224 F.R.D. at 105.

32. *Seagate*, 497 F.3d at 1367.

33. *Id.*

34. Brief of Petitioner Seagate Technology LLC, *supra* note 21, at 13-14, 20.

35. 448 F.3d 1294 (Fed. Cir. 2006). *EchoStar* was the Federal Circuit’s most recent case regarding the scope of privilege waiver resulting from the advice-of-counsel defense. The *EchoStar* court held that waiver did not extend to work product that was not communicated to the client. *Id.* at 1302-03.

36. Brief of Petitioner Seagate Technology LLC, *supra* note 21, at 17.

37. *Id.*

38. Opposition of Respondents Convolve, Inc., *supra* note 17, at 2.

39. *Id.* at 34.

formed by information received from in-house and trial counsel.”<sup>40</sup> The ruling Seagate requested, Convolve argued, was just the sort of policy that “would hand Seagate an unfair strategic advantage, frustrate *Knorr-Bremse*’s ‘totality of the circumstances’ test, and overrule *EchoStar*’s rejection of abusive ‘sword-and-shield’ tactics.”<sup>41</sup>

The Federal Circuit ordered an en banc review of Seagate’s petition for a writ of mandamus.<sup>42</sup> The court set forth three issues for its consideration.<sup>43</sup> Two of these issues were raised by the parties – the scope of the attorney-client privilege waiver and the scope of the work product privilege waiver.<sup>44</sup> However, the third issue, raised by the Federal Circuit itself, was whether it should overrule its own decision in *Underwater Devices* which stated that an alleged infringer had an affirmative duty to ensure he was not infringing.<sup>45</sup> The court overruled *Underwater Devices* by holding that, in order to show willful infringement, a patentee-plaintiff is required to show the defendant’s conduct was objectively reckless.<sup>46</sup> The court then stated a general rule that the scope of the attorney-client and work-product privilege waiver accompanying the advice-of-counsel defense should not extend to trial counsel absent “unique circumstances.”<sup>47</sup>

### III. LEGAL BACKGROUND

The Patent Act provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”<sup>48</sup> As defined, patent infringement is a strict-liability offense and the infringer’s state of mind is usually irrelevant.<sup>49</sup> However, the Patent Act also provides that, in a patent infringement action, “the court may increase the damages up to three times the amount found or assessed” against the defendant.<sup>50</sup> The Federal Circuit has held that a finding of treble damages requires a showing that the defendant willfully infringed the plaintiff’s patent.<sup>51</sup> Thus, the alleged infringer’s state of mind becomes

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40. *Id.*

41. *Id.* at 4.

42. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1367 (Fed. Cir. 2007) (en banc).

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.* at 1371.

47. *Id.* at 1374-75, 1376.

48. 35 U.S.C. § 271(a) (2000).

49. *See id.* (providing no requisite mental state).

50. 35 U.S.C. § 284 (2000).

51. *See, e.g., Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991) (quoting *Yarway, Corp. v. Eur-Control U.S.A., Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985)). The decision of whether to award enhanced damages is left statutorily to the discretion of the trial judge, with no standard or basis

relevant only when willfulness is claimed. This section will first describe the development of the duty of care a potential infringer must meet to avoid liability for willful infringement and will then discuss the use of the advice-of-counsel defense to negate an allegation that a defendant willfully infringed on a plaintiff's patent.

#### A. Willfulness and the Infringer's Duty of Care

"Willful" is "a word of many meanings' whose construction is often dependent on the context in which it appears."<sup>52</sup> The ambiguity inherent in the term "willful" makes the Federal Circuit's decision in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*<sup>53</sup> even more important.

In *Underwater Devices*, the Federal Circuit was faced with evidence that, in previous patent infringement cases, courts "found the patents claimed to be infringed upon invalid in approximately 80% of the cases," meaning it was a significant risk for a patentee to file suit against an infringer.<sup>54</sup> In light of this "flagrant disregard of presumptively valid patents without analysis,"<sup>55</sup> the Federal Circuit created a higher standard of care for alleged infringers, making it easier for patentees to show willful infringement. The court held that if "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."<sup>56</sup> Further, the court stated that "[s]uch 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>57</sup> This holding placed the burden on the defendant in a patent action to prove he met this standard. While an opinion of counsel was almost always required in order to avoid a finding of willful infringement,<sup>58</sup> the Federal Circuit stressed in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, that the issue of the defendant's willfulness was analyzed by the court under a "total-

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provided for the trial judge's decision. *See id.* It should also be noted that "Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law." *Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1307 (Fed. Cir. 2001) (citing *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803 (Fed. Cir. 2000)).

52. *Bryan v. United States*, 524 U.S. 184, 191 (1998).

53. 717 F.2d 1380 (Fed. Cir. 1983), *overruled by In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

54. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (quoting *Underwater Devices*, 717 F.2d at 1385).

55. *Id.*

56. *Underwater Devices*, 717 F.2d at 1389.

57. *Id.* at 1390.

58. Katherine Pauley Barecchia, *In re Seagate: How Claims and Defenses for Willful Infringement Have Changed*, ANDREWS SOFTWARE L. BULL., Oct. 4, 2007, at 9.

ity of the circumstances” test to determine if he complied with his duty of due care.<sup>59</sup>

### B. The Advice-of-Counsel Defense

A potentially powerful defense to a claim of willful infringement is an assertion that the defendant reasonably relied on the advice of legal counsel in determining the validity, enforceability, and potential infringement of an existing patent.<sup>60</sup> Such advice, generally in the form of an attorney’s opinion letter, usually satisfies *Underwater Devices*’ affirmative duty requirement.<sup>61</sup> By asserting this defense, however, accused infringers must waive attorney-client and work product privilege for both the opinion letter itself and any communications related to the subject-matter of the infringement opinion.<sup>62</sup> The Federal Circuit has explained that the purpose of this waiver “is to prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice.”<sup>63</sup> Thus, alleging willful infringement is a powerful litigation strategy for patentees, as it allows them to seek broad discovery of the defendant’s communications with his opinion (and possibly trial) counsel.<sup>64</sup>

Further, while obtaining an opinion of counsel was not explicitly required by *Underwater Devices*, defendants who failed to produce such an opinion were subject to an adverse inference that either they did not seek an opinion (and thereby did not satisfy their affirmative duty of care) or that the opinion was adverse.<sup>65</sup> Thus, defendants essentially faced a choice between waiving attorney-client and work product privileges or being subjected to an adverse inference.

59. *Knorr-Bremse*, 383 F.3d at 1342-43 (Fed. Cir. 2004) (citing *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990)).

60. *Etienne-Cummings*, *supra* note 7, at 1077.

61. *Id.*

62. *Id.* at 1077-78.

63. *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294, 1303 (Fed. Cir. 2006) (citing *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005); *In re Martin Marietta Corp. v. Pollard*, 856 F.2d 619, 626 (4th Cir. 1988); *In re Sealed Case*, 676 F.2d 793, 818 (D.C. Cir. 1982)).

64. *Etienne-Cummings*, *supra* note 7, at 1078 (citing *EchoStar*, 448 F.3d at 1302 n.4).

65. *See Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1572-73 (Fed. Cir. 1988), *overruled by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004). *See also* Lewis R. Clayton, ‘Seagate’s’ *Objective Standard* – ‘State of Mind’ Irrelevant, N.Y. L.J., Sept. 6, 2007, at 3 (“The *Underwater Devices* rule set off a chain reaction: the obligation of due care typically required obtaining a legal opinion, that opinion had to be disclosed (if not, an adverse inference might be drawn), and disclosure meant waiver of the attorney-client privilege – a waiver that might extend even to trial counsel.”).



The Federal Circuit resolved this dilemma in favor of accused infringers by eliminating the permissibility of the adverse inference.<sup>66</sup> In *Knorr-Bremse*, the court held that drawing an adverse inference from a defendant's invocation of attorney-client privilege was contrary to public policy.<sup>67</sup> In support of this holding, the court stated that such a policy "can intrude upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney."<sup>68</sup> The court also held that an adverse inference could no longer be drawn from a defendant's outright failure to obtain an opinion of counsel.<sup>69</sup> The court, citing the burden of obtaining an adequate opinion,<sup>70</sup> held that while "there continues to be 'an affirmative duty of due care to avoid infringement of the known patent rights of others,' the failure to obtain an exculpatory opinion of counsel" no longer provided the basis for an inference that such an opinion would have been adverse.<sup>71</sup> While this decision favored defendants by eliminating the adverse inference, defendants remained in the dark as to the scope of the waiver of attorney-client and work product privileges.

In 2006, the Federal Circuit took a step toward elucidating the scope of privilege waiver question left open by *Knorr-Bremse*. In *In re EchoStar Communications Corp.*,<sup>72</sup> the court held that an attorney-client privilege waiver was invoked even if the opinion relied upon by the accused infringer was the opinion of its own in-house counsel.<sup>73</sup> Additionally, the court noted that "[t]he widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter."<sup>74</sup> Thus, the court held that the reliance on an in-house counsel's opinion also resulted in a waiver of privilege as to communications with outside counsel that addressed the same subject matter.<sup>75</sup>

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66. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed. Cir. 2004).

67. *Id.* at 1344.

68. *Id.*

69. *Id.* at 1345.

70. *Id.* The task of obtaining an adequate opinion of counsel was a fairly onerous one. The Federal Circuit held in *Johns Hopkins Univ. v. Cellpro, Inc.* that "to avoid liability for willful infringement . . . an exculpatory opinion of counsel must fully address all potential infringement and validity issues." *Id.* (citing *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1364 (Fed. Cir. 1998)).

71. *Id.* at 1345-46 (citation omitted) (quoting *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed. Cir. 1993)).

72. 448 F.3d 1294 (Fed. Cir. 2006).

73. *Id.* at 1299.

74. *Id.* (quoting *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005)).

75. *Id.*

The court separated the discussion of the waiver of attorney-client privilege from the discussion of work-product immunity, identifying three classes of work-product:

(1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client.<sup>76</sup>

The court held that the work-product waiver extends to categories one and three, but not two, reasoning that merely "[b]y asserting the advice-of-counsel defense . . . , the accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pilage all of their litigation strategies. . . . Work-product waiver extends only so far as to inform the court of the *infringer's* state of mind."<sup>77</sup> Thus, as the second class of work-product is uncommunicated to the client, it cannot have an effect on the infringer's state of mind and is not discoverable.<sup>78</sup> The court also noted 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>79</sup>

While the *EchoStar* ruling clarified the types of documents that may be exposed when the advice of counsel defense is used, other questions regarding the scope of this waiver remained. The court declined to impose any strict temporal limitation on the privilege waiver; however, it indicated in footnote four of the opinion that a waiver of attorney-client privilege may extend to advice given after litigation begins if the litigation involves "ongoing willful infringement."<sup>80</sup>

More importantly, while the Federal Circuit did not address the extent (if any) to which this waiver applies to an accused infringer's trial counsel, some district courts have construed this footnote as supporting a waiver of privilege with respect to trial counsel.<sup>81</sup> The Eastern District of Missouri is

76. *Id.* at 1302.

77. *Id.* at 1302-03.

78. *Id.* at 1303.

79. *Id.* (quoting *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992)).

80. *Id.* at 1303 n.4.

81. Alison M. Tucher & Charles Barquist, *In re Seagate Technology, LLC: Federal Circuit to Address Significant Issues Regarding Willful Infringement En Banc*, 26 BIOTECHNOLOGY L. REP. 118, 119 (2007). See, e.g., *Affinion Net Patents, Inc. v.*

among these courts. In *Iridex Corp. v. Synergetics, Inc.*<sup>82</sup> the court held that Synergetics, by relying on an opinion of counsel, had clearly waived attorney-client privilege with respect to the opinion counsel and, under *EchoStar*, the “waiver [applied] to advice from trial counsel as well as formal opinion letters obtained from other lawyers.”<sup>83</sup> The court noted that, while other district courts had reached different conclusions about the meaning of *EchoStar*, this court believed disclosure from both advice and trial counsel is the result required by *EchoStar*.<sup>84</sup> More specifically, the court held that Synergetics must provide discovery of any opinion, whether from opinion or trial counsel, “concerning whether its accused devices infringe . . . unless those opinions were given *solely* for the purpose of considering settlement options.”<sup>85</sup>

At the same time, other district courts have held the opposite, stating that the privilege waiver applies only to opinion counsel.<sup>86</sup> Still other courts have taken a middle road by requiring disclosure of only those communications from trial counsel which, for example, “cast doubt” on the validity of the opinion or provide the same type of advice or work product as that of the opinion counsel.<sup>87</sup> Thus, the scope of the privilege waiver remains a contentious issue.

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Maritz, Inc., 440 F. Supp. 2d 354, 356 (D. Del. 2006) (holding that the accused infringer waived privilege as to communications with trial counsel as well as any other counsel); Beck Sys., Inc. v. Managesoft Corp., No. 05 C 2036, 2006 WL 2037356, at \*5 n.1 (N.D. Ill. July 14, 2006) (finding that “the reasoning of the *EchoStar* opinion, as well as the supporting citation to *Akeva* in describing the scope of subject matter waiver both with respect to attorney-client privilege and work-product protection, indicates that the Federal Circuit would extend this waiver to all attorneys other than those who provided the advice on which the defendant relies, irrespective of whether the other attorneys are trial counsel.”).

82. No. 4:05CV1916 CDP, 2007 WL 445275 (E.D. Mo. Feb. 2, 2007).

83. *Id.* at \*1.

84. *Id.*

85. *Id.*

86. See, e.g., *Ampex Corp. v. Eastman Kodak Co.*, No. CIV A. 04-1373-KAJ, 2006 WL 1995140, at \*4 (D. Del. July 17, 2006) (holding that because *EchoStar* did not involve the issue of whether waiver extended to trial counsel, it is inappropriate to construe it to permit a waiver of this scope); *Ind. Mills & Mfg., Inc. v. Dorel Indus., Inc.*, No. 1:04CV01102-LJM-WTL, 2006 WL 1749413, at \*7 (S.D. Ind. May 26, 2006) (“There is no indication that the *EchoStar* court intended to extend this waiver to communication of trial counsel or to work product of trial counsel. In fact, that issue was not before the Court.”), *withdrawn*, No. 1:04-CV-1102-LJM-WTL, 2006 WL 1993420 (S.D. Ind. July 14, 2006).

87. See, e.g., *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46, 52 (D.D.C. 2006) (stating that “waiver extends only to those trial counsel work product materials that have been communicated to the client and ‘contained conclusions or advice that contradict or cast doubt on the earlier opinions’”); *Genentech, Inc. v. Insmad Inc.*, 442 F. Supp. 2d 838, 847 (N.D. Cal. 2006) (“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

## IV. INSTANT DECISION

The Federal Circuit ordered an en banc review of the district court's evidentiary ruling and set out three questions for review.<sup>88</sup> First, "[s]hould 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?"<sup>89</sup> Second, "[w]hat is the effect of any such waiver on work-product immunity?"<sup>90</sup> Third, "[g]iven the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudson Co.*, 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>91</sup>

The court began its analysis with the third question, regarding the duty of care, rejecting Convolv's argument that revisiting the willfulness doctrine is improper.<sup>92</sup> The Federal Circuit's *sua sponte* consideration of this question suggested that the court would radically reconsider the potential infringer's duty of care with respect to existing patents.<sup>93</sup> First, the court stated that re-

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communications that contain opinions (formal or informal) and advice central and highly material to the ultimate questions of infringement and invalidity . . .").

88. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1367 (Fed. Cir. 2007) (en banc).

89. *Id.*

90. *Id.*

91. *Id.* (citation omitted). The court also noted that it did not review the district court's decisions as to privilege waiver with respect to Seagate's in-house counsel as this issue was not appealed by Seagate and the nature of in-house counsel's participation in the present litigation was unclear in the record. *Id.* at 1367 n.2.

92. *Id.* at 1367, 1371-72. The court noted that this case meets the criteria for granting mandamus with respect to discovery orders that relate to claims of privilege as set out in *In re Regents of the University of California*. *Id.* at 1367. The established criteria are: 1) the issue is an important one of first impression; 2) "the privilege would be lost if review were denied until final judgment"; and 3) "immediate resolution would avoid the development of doctrine that would undermine the privilege." *Id.* (quoting *In re Regents of the Univ. of Cal.*, 101 F.3d 1386, 1388 (Fed. Cir. 1996)). However, Judge Gajarsa went even further than Convolv's position in his concurrence. *Id.* at 1376 (Gajarsa, J., concurring). He argued that "the court should take the opportunity to eliminate the grafting of willfulness onto section 284" of the Patent Act altogether. *Id.* at 1367-77. This is because the language of the statute clearly omits a willfulness requirement and there is no reason to continue to require this finding in order for trial judges to grant treble damages. *Id.* at 1377. In support of his argument, Judge Gajarsa asserted that, historically, treble damages were awarded when actual damages would be "inadequate" under the circumstances. *Id.* at 1378. In such cases, "a discretionary enhancement of damages would be appropriate for entirely remedial reasons, irrespective of the defendant's state of mind." *Id.* Thus, by restricting awards of "enhanced damages to a subset of cases where punitive awards are appropriate," the court restricts the use of trebled damages as a remedial measure. *Id.*

93. Tucher & Barquist, *supra* note 81, at 118.

quiring a finding of willfulness as a prerequisite for awarding enhanced damages is in accord with Supreme Court precedent.<sup>94</sup> However, the court found that the definition of “willful” used in patent cases was closer to a negligence standard, making this definition out of sync with the definition of that term as used in other areas of law.<sup>95</sup> The court compared the availability of treble damages under the Patent Act to the availability of enhanced damages under the Copyright Act, which also authorizes enhanced damages for willful infringement.<sup>96</sup> The Federal Circuit noted that, while the Copyright Act does not define willfulness, the Supreme Court, along with the Second, Seventh and Eighth Circuits, indicated that willfulness could be found from proof of reckless behavior.<sup>97</sup> Additionally, the court cited the Fair Credit Reporting Act (“FCRA”) as another example of a statutory scheme that allows a plaintiff to recover punitive damages for willful violations.<sup>98</sup> The Supreme Court, in the context of the FCRA, held that the “standard civil usage” of “willful” includes recklessness and that “this definition comports with the common law usage, ‘which treated actions in ‘reckless disregard’ of the law as ‘willful’ violations.’”<sup>99</sup> Finally, the court noted a similar holding in *McLaughlin v. Richland Shoe Co.*, a case stating “that willful violations of the Fair Labor Standards Act include reckless violations.”<sup>100</sup>

Because the willfulness standard set by *Underwater Devices* “fail[ed] to comport with the general understanding of willfulness in the civil context,” the Federal Circuit held that a finding of willful infringement would now require a showing of at least “objective recklessness.”<sup>101</sup> Thus, the court ex-

94. *Seagate*, 497 F.3d at 1368 (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 508 (1964) (holding that enhanced damages are available to a patent plaintiff upon a showing of willful or bad-faith infringement)).

95. *Id.* at 1371.

96. *Id.* at 1370 (citing 17 U.S.C. § 504(c) (2000 & Supp. 2005)).

97. *Id.* (citing *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392 (2006); *Yurman Design, Inc. v. PAJ Inc.*, 262 F.3d 101, 112 (2d Cir. 2001); *Wildlife Express Corp. v. Carol Wright Sales*, 18 F.3d 502, 511-12 (7th Cir. 1994); *RCA/Ariola Int’l, Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 779 (8th Cir. 1988)).

98. *Id.* (citing 15 U.S.C. § 1681n(a) (2000); *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007)).

99. *Id.* at 1371 (citing *Safeco*, 127 S. Ct. at 2209).

100. *Id.* at 1370-71 (citing *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 132-33 (1988)).

101. *Id.* at 1371. Judge Newman, in his concurrence, agrees that *Underwater Devices* should be overruled, but that it should be because it has been widely misinterpreted, rather than because its holding was improper. *Id.* at 1384-85 (Newman, J., concurring). He states that the purpose of *Underwater Devices* was to ensure that patents received the same respect as any other type of property and that this has been misinterpreted “to mean that ‘due care’ requires more than the reasonable care that a responsible enterprise gives to the property of others.” *Id.* at 1385. He concurs in the judgment of the court, however, stating that “to the extent that *Underwater Devices*

pressly overruled *Underwater Devices* and stated that “there is no affirmative obligation [for a potential infringer] to obtain opinion of counsel.”<sup>102</sup> Further, the court created a two-part test to be used in assessing willfulness.<sup>103</sup> First, the plaintiff has the burden of proving by clear and convincing evidence that the defendant “acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”<sup>104</sup> Only after the plaintiff has overcome that hurdle does the defendant’s state of mind become relevant. The second burden placed on the plaintiff is to prove the objectively-defined risk was known, or should have been known, to the defendant.<sup>105</sup> The court expressly left to future cases the development of the application of this standard.<sup>106</sup>

The Federal Circuit next considered the scope of the attorney-client privilege waiver.<sup>107</sup> Recognizing that attorney-client privilege is the oldest legal privilege and that its purpose is to encourage honest communication between attorney and client, the court rejected Convolv’s argument that a limited waiver would allow a defendant to use privilege as “both a sword and a shield” by disclosing the favorable opinion of counsel while shielding any unfavorable opinions behind privilege.<sup>108</sup> The court noted the importance of its decision on this issue as district courts have reached widely varying conclusions as to the scope of this waiver.<sup>109</sup> Some courts have extended the waiver to trial counsel, some have declined to do so, and others have taken a “middle ground” approach by extending the waiver to trial counsel only with respect to communications casting doubt on the opinion.<sup>110</sup>

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has been applied as a *per se* rule that every possibly related patent must be exhaustively studied by expensive legal talent . . . the standard should be modified.” *Id.*

102. *Id.* at 1371 (majority opinion).

103. *Id.*

104. *Id.*

105. *Id.*

106. *Id.* The court also addressed the claim by Convolv that the court’s review of the willfulness doctrine is improper. *Id.* The court states that, while this issue was not decided by the district court, “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.” *Id.* at 1371-72. Thus, the court states that its review of this issue is “neither hypothetical nor advisory.” *Id.* at 1372.

107. *Id.*

108. *Id.*

109. *Id.* at 1372-73.

110. *Id.* (citing *Informatica Corp. v. Bus. Objects Data Interaction, Inc.*, 454 F. Supp. 2d 957 (N.D. Cal. 2006) (extending waiver to trial counsel); *Collaboration Props., Inc. v. Polycom, Inc.*, 224 F.R.D. 473, 476 (N.D. Cal. 2004) (declining to extend waiver to trial counsel); *Ampex Corp. v. Eastman Kodak Co.*, No. CIV. A. 04-1373-KAJ, 2006 WL 1995140, (D. Del. July 17, 2006) (same); *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46 (D.D.C. 2006) (extending waiver to trial counsel only for communications contradiction or casting doubt on the

The court stated that, given the fundamentally different functions of opinion and trial counsels, limiting the waiver to opinion counsel “does not present the classic ‘sword and shield’” tactics that would give rise to a broad application of the waiver.<sup>111</sup> Where opinion counsel is sought to provide an objective assessment of the possible infringement at issue, trial counsel is focused on developing and presenting a successful case and is involved in the adversarial process, rather than providing an objective assessment of the plaintiff’s patents or infringement claims.<sup>112</sup>

The court further justified its decision by citing the Supreme Court’s decision in *Hickman v. Taylor*,<sup>113</sup> which recognized the importance of a lawyer’s working ““with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel.””<sup>114</sup> The court stated that, while *Hickman* pertained to work-product immunity, the same concerns are present with respect to attorney-client privilege in patent litigation.<sup>115</sup> A plaintiff must have a good-faith basis to allege willful infringement and this allegation necessarily must depend on the defendant’s pre-litigation conduct.<sup>116</sup> The court reasoned that, in the event the defendant’s conduct after the complaint is filed is thought to be reckless, the plaintiff has the option to move for a preliminary injunction which would remedy the ongoing willful infringement.<sup>117</sup> Thus, if the plaintiff fails to pursue this avenue of relief, the plaintiff should not then be able to accrue enhanced damages based on the defendant’s conduct after the litigation commenced.<sup>118</sup> Finally, if the plaintiff attempts to acquire a preliminary injunction and fails, the court says it is likely the infringement did not rise to the level of recklessness necessary for a finding of willfulness as, to avoid a preliminary injunction, the defendant only has to show a substantial question about the patent’s validity or the alleged infringement.<sup>119</sup> If a substantial question is shown, it is “likely sufficient not

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opinion relied on); *Beneficial Franchise Co. v. Bank One, N.A.*, 205 F.R.D. 212 (N.D. Ill. 2001) (same)).

111. *Id.* at 1373.

112. *Id.* The court also notes its prior decision in *Crystal Semiconductor Corp. v. TriTech Microelectronics International, Inc.*, where it “concluded that ‘defenses prepared [by litigation counsel] 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.’” *Id.* (alteration in original) (quoting *Crystal Semiconductor*, 246 F.3d 1336, 1352 (Fed. Cir. 2001)).

113. 329 U.S. 495 (1947).

114. *Seagate*, 497 F.3d at 1373 (quoting *Hickman v. Taylor*, 329 U.S. 495, 510-11).

115. *Id.*

116. *Id.* at 1374.

117. *Id.*

118. *Id.*

119. *Id.*

only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.”<sup>120</sup>

Thus, the Federal Circuit concluded that because the basis of willful infringement must be found in pre-litigation conduct, the communications of trial counsel to the defendant have little bearing on a finding of willfulness.<sup>121</sup> The court then explicated a general rule that “asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel.”<sup>122</sup> However, the court noted that this general rule is not absolute and that trial judges have the authority to extend the scope of waiver under unique circumstances.<sup>123</sup>

With respect to work product protection, the court began by reviewing the purpose of this privilege.<sup>124</sup> The purpose of the work product doctrine is to promote the public interest in getting to the truth of a matter while still allowing attorneys to effectively represent their clients.<sup>125</sup> Unlike the attorney-client privilege, with respect to factual material, the work product privilege can be overcome by a showing of substantial need and undue hardship. Mental process work, however, is given nearly absolute protection.<sup>126</sup> The court stated that the same rationale for limiting the scope of attorney-client privilege waiver also applies to limiting the work-product immunity waiver as limiting this waiver “strengthens the adversary process, and . . . may ultimately and ideally further the search for the truth.”<sup>127</sup> Additionally, the court noted that the requested discovery in this case encompasses Seagate’s trial counsel’s mental processes which enjoy the highest level of work product protection.<sup>128</sup>

In support of this observation, the Federal Circuit cited the Supreme Court’s decision in *United States v. Nobles*,<sup>129</sup> a criminal case in which the Court allowed a limited waiver of work-product privilege.<sup>130</sup> The *Nobles* defendant, an accused armed robber, relied on an investigator’s report when cross examining two eyewitnesses testifying for the prosecution.<sup>131</sup> When the defense attempted to call the investigator to testify, the trial court held, and

120. *Id.*

121. *Id.* The court also notes that, because Seagate’s opinions were obtained post-filing, they “appear to be of similarly marginal value.” *Id.*

122. *Id.*

123. *Id.* at 1374-75.

124. *Id.* at 1375.

125. *Id.*

126. *Id.*

127. *Id.* (alteration in original) (quoting *In re Martin Marietta Corp.*, 856 F.2d 619, 626 (4th Cir. 1988)).

128. *Id.* at 1375-76.

129. 422 U.S. 225 (1975).

130. *Seagate*, 497 F.3d at 1376 (citing *Nobles*, 422 U.S. at 239-40).

131. *Id.* (citing *Nobles*, 422 U.S. at 227).



the Supreme Court affirmed, that the investigator's testimony would create a waiver of work product immunity with respect to the portions of the investigator's report pertaining to his testimony.<sup>132</sup> However, the court specifically cited the "quite limited" nature of the waiver and refused to allow a "fishing expedition" into the investigator's report, let alone the defense's files.<sup>133</sup> Similarly, in the instant case, Convolv was granted access to Mr. Sekimura's opinions and Mr. Sekimura was made available for deposition.<sup>134</sup> This, the court held, comported with the limited waiver granted by the Supreme Court in *Nobles*.<sup>135</sup>

Due to the integral function of the work product privilege and the high level of protection afforded to mental impressions especially, the Federal Circuit again stated a general rule that a defendant's reliance on an advice-of-counsel defense would not require a broad waiver of work product immunity which would reach to the defendant's trial counsel.<sup>136</sup> Additionally, the court left some discretion with the trial court to modify the scope of the waiver in unique circumstances.<sup>137</sup> Lastly, the court observed that the Federal Rules of Civil Procedure grant work product immunity to "documents and tangible things"<sup>138</sup> and courts still utilize the holding of *Hickman v. Taylor* to protect "nontangible" work product.<sup>139</sup> In the instant case, Convolv requested to depose Seagate's trial counsel; however, the court agreed that *Hickman* still applies to protect nontangible work product.<sup>140</sup>

## V. COMMENT

The impact of the Federal Circuit's decision falls squarely in favor of patent litigation defendants in two ways. First, it will likely reduce the number of plaintiffs who allege willful infringement as a matter of course due to the plaintiff's now having the burden of proof on the issue and the possible necessity of providing the defendant with pre-suit notice of the patent. Second, the risk of obtaining and relying upon an opinion of counsel is greatly lessened by the fact that, absent unique circumstances, defendants do not risk waiving privilege with their trial counsel. Thus, the Federal Circuit's decision in *Seagate* will have significant implications in future patent litigation; however, by no means did the Federal Circuit's decision clarify all is-

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132. *Id.* (citing *Nobles*, 422 U.S. at 229, 239-40).

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

134. *Id.*

135. *Id.*

136. *Id.*

137. *Id.* (again citing the instance of counsel engaging in "chicanery" as an example of unique circumstances under which the waiver might be extended).

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

139. *Id.*

140. *Id.*

sues relating to the advice-of-counsel defense and the operation of the new willfulness test set out by the court.<sup>141</sup>

#### A. *Seagate's New Willfulness Test*

The court's decision in *Seagate* marked a change in the practical concerns present in patent litigation. The Federal Circuit's decision in *Underwater Devices* was made at a time when patent rights were viewed as weak.<sup>142</sup> The court's decision in *Seagate* to lower the standard of care required of defendants indicates that times have changed. Today, patent litigation abounds and the fact that the defendant had, prior to *Seagate*, the initial burden to prove he acted with due care in order to avoid treble damages made it significantly more difficult to defend these actions.<sup>143</sup> The difficulty of defending such a suit is a contributing factor to the abundance of "willful" infringement claims. Additionally, because claims of willfulness are made prior to discovery, it seems they are asserted more as a matter of course, rather than based on specific facts giving rise to a belief in willful infringement.<sup>144</sup> Thus, the heightened burden on the plaintiff imposed by the *Seagate* court seems tailored to curb widespread allegations of willful infringement, many of which are likely made without a sufficient factual basis.

The probable effect of the *Seagate* ruling will be to decrease the likelihood that a plaintiff will allege willful infringement and to decrease the number of treble damage awards given to plaintiffs who do. The court's statement that willfulness must be based on a defendant's pre-litigation conduct dramatically increases the importance of any evidence that the defendant had prior notice of the patent and failed to take steps to determine whether he was

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141. Judge Newman's concurrence noted this point. *Id.* at 1385 (Newman, J., concurring) (noting "new uncertainties are introduced by the court's evocation of 'objective standards' for such inherently subjective criteria as 'recklessness' and 'reasonableness'").

142. *Id.* at 1369 (majority opinion) (The *Underwater Devices* standard was created "when widespread disregard of patent rights was undermining the national innovation incentive."). The standard announced in *Underwater Devices* placed significant burdens on potential infringers in order to address this problem. Clayton, *supra* note 65.

143. See, e.g., Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, at 31, available at 2006 WLNR 16557844 (citing "hungry plaintiffs' lawyers, speedy judges and plaintiff-friendly juries" as some of the factors contributing to a nationwide "excess of expensive litigation that is actually stifling innovation").

144. See Moore, *supra* note 2, at 232 ("Plaintiffs never plead specific facts that give rise to their beliefs regarding the defendant's willfulness. . . . It seems unlikely that in 92% of the cases, the patentee had sufficient factual basis at the time the complaint was filed to allege that the defendant's infringement was willful.").

infringing.<sup>145</sup> Before a lawsuit is even filed, it is now much more important that the future plaintiff give the alleged infringer notice of the plaintiff's patent.<sup>146</sup> Further, the court's reasoning that any ongoing willful infringement could be remedied by a preliminary injunction again supports the court's position that an allegation of willful infringement must be based on the defendant's pre-litigation conduct.<sup>147</sup>

Given that the court expressly left the development of the application of this new standard to future cases, many issues remain unresolved.<sup>148</sup> Perhaps the most obvious and fundamental question regarding a defendant's new standard of care is how it will affect a defendant's need to obtain an opinion of counsel. While the Federal Circuit in *Knorr-Bremse* held that an adverse inference could no longer be drawn either from the defendant's invocation of attorney-client privilege or outright failure to obtain an opinion of counsel, this defense remained a very powerful one. Also, defendants no longer have an affirmative duty of due care, but it remains unclear what exactly qualifies as objective recklessness. Thus, it is conceivable that a judge would expect an alleged infringer to consult an attorney to assess potential infringement in order to avoid being reckless, meaning that obtaining an opinion of counsel would remain as important as ever.<sup>149</sup>

A final question stems from *Seagate's* new two-part test for willful infringement.<sup>150</sup> Under the test, the plaintiff must first show by clear and convincing evidence that the defendant "acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."<sup>151</sup> Second, the plaintiff must "demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer."<sup>152</sup> While the court stated that clear and convincing evidence was required to overcome the first hurdle of the test, the standard of proof required for the second part was not stated.

Thus, while the Federal Circuit's new willfulness test brings a potential infringer's standard of care in line with that required of defendants in other civil contexts, it does not resolve all issues related to the new standard. It will

145. *Seagate*, 497 F.3d at 1374; see also Clayton, *supra* note 65 ("The standard may . . . provide an incentive for patentees to provide more detailed information to accused infringers in pre-suit communications, hoping to establish a record of reckless disregard.").

146. *Barecchia*, *supra* note 58.

147. See *Seagate*, 497 F.3d at 1374.

148. *Id.* at 1371.

149. It has been observed that a court may base its willfulness determination "on an overall evaluation of the defendant's conduct, considering industry practice, the defendant's sophistication and resources, and its diligence. While defendants need not obtain an opinion, doing so is still likely to yield important advantages at trial." Clayton, *supra* note 65.

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

151. *Id.*

152. *Id.*

remain to be seen in future cases exactly how the plaintiff must prove the defendant acted in an objectively reckless manner and the effect of the *Seagate* decision on the importance of obtaining an opinion of counsel.

### B. Limitations on the Privilege Waiver

The Federal Circuit's decision to limit the scope of waiver to exclude trial counsel will result in fewer awards of enhanced damages and narrowed opportunities for the plaintiff to obtain broad discovery.<sup>153</sup> The court's decision in this regard seems to strike an equitable balance between benefits to the defendant and plaintiff. While the defendant must waive privilege with respect to opinion counsel, the risk of exposure of communications with trial counsel is greatly diminished. Along the same lines, the plaintiff still has the benefit of insight into the opinion on which the defendant claims reliance (mitigating the concern of the defendant's use of sword-and-shield tactics), but the plaintiff is not allowed free access to a broad range of communications between the defendant and various counsels.

While the Federal Circuit greatly clarified its holding in *EchoStar*,<sup>154</sup> the Federal Circuit did not address, and never has addressed, the issue of whether the waiver could extend to the defendant's in-house counsel. In *Seagate*, the court based its distinction between opinion and trial counsel on their differing functions.<sup>155</sup> Trial counsel focuses on trial strategy and how to present issues to the court while opinion counsel provides a more objective analysis of the validity of patents in order to enable the defendant to make prudent business decisions.<sup>156</sup> This distinction put the court's mind at ease over the possibility of the defendant's sword and shield use of the advice-of-counsel defense.<sup>157</sup> However, the court only addressed the scope of waiver with respect to trial counsel; thus, the application of this waiver to in-house counsel remains ambiguous. It would appear that the role of in-house counsel is more akin to that of opinion counsel, as the role of in-house counsel would be to provide information to the defendant to facilitate business decisions. This indicates that the court would more readily extend waiver to in-house counsel than trial counsel; however, a final determination has not been made.

Similarly, the court does not address what scope of waiver is applied when opinion and trial counsel are the same. Under the court's premise that the roles of opinion and trial counsel are materially different, it would appear

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153. See Moore, *supra* note 2, at 232-33 (“[P]iercing the attorney-client privilege in order to gain access to the opinions the infringer relied upon provides the patentee significant insight into the infringer’s substantive defenses early in the litigation process. This is a considerable advantage for the patentee.”).

154. See *Seagate*, 497 F.3d at 1374 (holding that, as a general rule, waiver does not extend to trial counsel).

155. *Id.* at 1373.

156. *Id.*

157. *Id.*

that the trial court would have to draw a line between work done in counsel's capacity as opinion counsel and that done in a trial counsel capacity. Under the court's second premise, that post-filing communication with trial counsel is generally not relevant to a willfulness finding, it would seem that the extent of waiver applied would be heavily fact-dependent. If, as in *Seagate*, the opinion letter was not obtained until after the lawsuit was filed, the trial court would likely have a difficult time determining which parts of counsel's work product would be relevant to the willfulness finding. Thus, it remains important for accused infringers to maintain separate opinion and trial counsel.<sup>158</sup>

Finally, the court reasons that, because the allegation of willful infringement must be based in pre-litigation conduct, trial communications made post-filing would be of little relevance.<sup>159</sup> This last premise by the court seems out of place in the context of the instant case. *Seagate* did not receive its opinion letters until after the litigation had been filed and it had retained trial counsel.<sup>160</sup> The court suggests that trial counsel's communications with the defendant would be of little relevance to a finding of willfulness because they occur after the filing of the litigation;<sup>161</sup> however, in this instance, it seems that trial counsel's communications with *Seagate* would be of relevance to this finding because a legal opinion counsel was not received until after *Seagate* had retained and, presumably, consulted with its trial counsel. Alternatively, if it is only the defendant's pre-litigation conduct that is relevant to a finding of willfulness, does this mean that an opinion of counsel obtained after litigation is filed is of little relevance in negating this claim? The court does not directly address this question. Thus, the application of this reasoning to a trial court's determination of what communications would be relevant to a finding of willfulness will require further development.

## VI. CONCLUSION

The Federal Circuit's holding in *Seagate* perhaps raises more questions than it answers, particularly with regard to the application of the new standard of care. However, for the moment, this decision seems to be a boon for patent defendants even though it remains unclear what exactly a potential infringer must do to avoid a finding of willfulness. It still seems that obtaining an opinion of counsel is the best way for a defendant to avoid an award of treble damages, as it is possible a court would find that it was reckless not to

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158. See *Barecchia*, *supra* note 58 (Retaining the same counsel as both opinion and litigation counsel creates two problems. First, the opinion of the attorney immediately loses credibility due to the conflicting roles of opinion and trial counsel. Second, it becomes very difficult to draw the line between what is and is not discoverable.).

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

160. *Id.* at 1366.

161. *Id.* at 1374.

consult with legal counsel regarding potential infringement. Additionally, it remains to be seen what situations qualify as “unique circumstances,” in addition to “chicanery,” under which waiver of privilege could extend to trial counsel. Thus, while *Seagate* provides a basic framework for the determination of willful infringement and the application of the advice of counsel defense, the specifics have yet to be developed by the courts.

SARAH J. GARBER

