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# THE DOCTRINE OF WILLFUL PATENT INFRINGEMENT AFTER *KNORR-BREMSE*: PRACTICAL PROBLEMS & RECOMMENDATIONS

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## INTRODUCTION

In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*,<sup>4</sup> the Federal Circuit changed the law of willful patent infringement but did not eliminate the practical dilemmas facing parties seeking to defend against charges of willful patent infringement. By leaving intact defendants' affirmative duty to determine whether they are infringing known patents, the Federal Circuit left undisturbed the de facto requirement that defendants obtain opinions of counsel to effectively defend against claims of willful infringement. As a result, even after *Knorr-Bremse*, defendants are still faced with: (1) the unrealistic expectation that they obtain opinions on all known patents; (2) the dilemma of having to choose between producing an opinion and waiving the attorney-client privilege, on the one hand, and defending against a claim of willful infringement on the other; and (3) the burden that, if they do choose to waive the privilege to defend themselves, the scope of the resulting waiver is effectively unpredictable. Defendants will be in a position to fairly defend themselves against charges of willful infringement only if the Federal Circuit ultimately eliminates the affirmative duty and sets clearly defined limits on the scope of the waiver.

The discussion below is divided into three Parts. Part I outlines the law of willful infringement as it existed prior to *Knorr-Bremse* and the practical problems resulting from that law. Part II summarizes the *Knorr-Bremse* opinion and evaluates its impact. Finally, Part III recommends that the affirmative duty be eliminated and that clear limits be set on the scope of a waiver resulting from the reliance on an opinion of counsel.

## PART I: THE DOCTRINE OF WILLFUL INFRINGEMENT PRE-*KNORR-BREMSE*

### A. The Pre-*Knorr-Bremse* Standard.

The doctrine of willful infringement was developed to strengthen patent rights, and, in turn, the incentive to innovate and apply for patents.<sup>5</sup> Willful infringement doctrine makes intentional infringement of rights unattractive by permitting the assessment of enhanced damages against a defendant shown to have deliberately infringed a patent.<sup>6</sup> These enhanced damages are

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<sup>4</sup> 383 F.3d 1337 (Fed. Cir. 2004).

<sup>5</sup> See, e.g., Donald Chisum, et al., PRINCIPLES OF PATENT LAW, 22, (2nd ed. 2001) ("...Congress, in 1982, created the United States Court of Appeals for the Federal Circuit...with the intent of strengthening the American patent system."); Carol Johns, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp: A Step in the Right Direction for Willful Infringement*, 20 BERKELEY TECH. L.J. 69, 69 (2005) (noting that willful infringement doctrine grew up in an era of underenforcement of patent rights).

<sup>6</sup> See, e.g., Robert P. Taylor, *Much Ado About Not Much - Knorr Bremse Confronts the Simplest Part of the Willfulness Problem*, 824 P.L.I./PAT 759, 762 (March-May 2005).

intended to be punitive, not compensatory.<sup>7</sup> The threat of increased damages is intended to “protect the public interest in a stable patent right” by discouraging intentional infringement.<sup>8</sup>

Under the standard articulated by the Federal Circuit beginning in the 1980s, willfulness requires “wanton disregard of the patentee’s patent rights,”<sup>9</sup> and the “deliberate tortious act of infringement.”<sup>10</sup> According to the Federal Circuit, “willfulness is shown when, upon consideration of the totality of the circumstances, clear and convincing evidence establishes that the infringer acted in disregard of the patent and that the infringer had no reasonable basis for believing it had a right to engage in the infringing acts.”<sup>11</sup> By this standard, willful infringement is analogous to a mens rea offense.<sup>12</sup> Courts must evaluate the defendant’s state of mind<sup>13</sup> to learn whether the defendant “had sound reason to believe that it had the right to act in the manner that was found to be infringing.”<sup>14</sup>

In 1983, the Federal Circuit held that once a defendant has knowledge of another’s patent, it has “an affirmative duty to exercise due care to determine whether or not [it] is infringing.” In effect, the Court placed the burden on the defendant to ensure that it was not infringing.<sup>15</sup> If a defendant does not meet this burden, the infringement is found to be willful.

In *Bott v. Four Star Corp.*,<sup>16</sup> and *The Read Corp. v. Portec, Inc.*,<sup>17</sup> the Federal Circuit articulated nine factors to consider as part of the willful infringement determination.<sup>18</sup> These factors, which comprise the “totality of the circumstances,” help courts determine a defendant’s state of mind.<sup>19</sup> In *Bott*, the court announced that it would look for evidence of the infringer’s intent by considering: (i) whether the infringer deliberately copied the patentee’s idea or design; (ii) whether the infringer, when he knew of the other’s patent protection, investigated the scope of the patent and formed a good faith belief that it was invalid or that it was not infringed; and (iii) the infringer’s behavior as a party to the litigation.<sup>20</sup> In *Read*, the court added six more factors to consider: (iv) the infringer’s size and financial condition; (v) the closeness of the infringement determination; (vi) the duration of the infringer’s misconduct; (vii) remedial actions taken by the infringer; (viii) the infringer’s motivation for harm; and (ix) whether the infringer attempted to conceal its misconduct.<sup>21</sup>

The Federal Circuit also considers any other pertinent circumstances involving the defendant’s infringement. For example, the Federal Circuit weighs mitigating evidence such as efforts to design around a known patent, evidence demonstrating independent invention, or any other factors showing good faith behavior.<sup>22</sup>

## B. The De Facto Requirement of Obtaining Opinions of Counsel.

As the law existed pre *Knorr-Bremse*, despite the multiple factors listed under the totality of circumstances test, obtaining an opinion of counsel emerged as often the only realistic method of meeting the affirmative duty.

7 See e.g., *SRI Int'l, Inc. v. Advanced Technology Labs Inc.*, 127 F.3d 1462, 1464 (Fed. Cir. 1997).

8 See *id.*; See also William F. Lee & Lawrence P. Cogswell, III, *Understanding and Addressing the Unfair Dilemma Created by the Doctrine of Willful Patent Infringement*, 41 HOUS. L. REV. 393, 396 (Summer 2004) (willfulness doctrine imposes punitive damages to discourage intentional infringement).

9 See *The Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992); See also *Imonex Services, Inc. v. W.H. Munzprufer Diemar Trenner GMBH*, 408 F.3d 1374, 1377 (Fed. Cir. 2005) (defining willfulness as “egregious conduct”).

10 See Marra E. Gross & Emily L. Rapalino, *Patent Opinion Basic*, 825 PLI/ PAT 133, 148 (March-April 2005) (citing *Hoechst Celanese Corp. v. BP Chemicals, Ltd.*, 78 F.3d 1575, 1583 (Fed. Cir. 1996)).

11 *Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994).

12 Joshua Stowell, *Willful Infringement and the Evidentiary Value of Opinion Letters of Knorr-Bremse v. Dana*, 2005 DUKE L. & TECH. REV. 5, 26 (March 12, 2005).

13 See *Read*, 970 F.2d at 828; *Applied Medical Resources Corp. v. United States Surgical Corp.*, 353 F.Supp.2d 1075, 1077 (C.D. Cal. 2004).

14 See *SRI*, 127 F.3d at 1464-65.

15 See *Underwater Devices Incorp. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983).

16 807 F.2d 1567 (Fed. Cir. 1986).

17 970 F.2d 816 (Fed. Cir. 1992).

18 The *Bott* and *Read* factors are sometimes reviewed as part of the initial determination of willfulness and other times after a determination of willfulness in deciding whether to award enhanced damages. “The principal considerations in enhancement of damages are the same as those of the willfulness determination.” *SRI*, 127 F.3d at 1469; *Atmel Corp. v. Silicon Storage Tech. Inc.*, 202 F.Supp. 2d 1096, 1102 (Fed. Cir. 2002) (in deciding whether to enhance damages, “the Court reweighs the same issues the jury faced in arriving at its willfulness determination.”).

19 See *Gustafson, Inc. v. Intersystems Industrial Products*, 897 F.2d 508, 510-11 (Fed. Cir. 1990) (noting that the only way to evaluate the defendant’s intent is to examine all of the circumstances surrounding the infringement).

20 *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986).

21 *Read*, 970 F.2d at 827.

22 See *SRI*, 127 F.3d at 1465.

As early as 1983, the Federal Circuit suggested in *Underwater Devices Incorp. v. Morrison-Knudsen Co., Inc.*<sup>23</sup> that to meet the affirmative duty a defendant was required to obtain competent legal advice from counsel before initiating any potentially infringing activity.<sup>24</sup> While the court stated in *Rolls-Royce Ltd. v. GTE Valeron Corp.*<sup>25</sup> that failure to obtain an opinion of counsel does not warrant an automatic finding of willfulness,<sup>26</sup> an opinion often remained the best evidence of whether a defendant acted in good faith.<sup>27</sup> The Bott and Read factors did not provide a potential defendant with any other way to avoid willfulness.<sup>28</sup> The factors provided only a laundry list of actions the defendant *should not* take, not a list of actions that would satisfy an affirmative obligation.

In the same year that the Federal Circuit found that the failure to obtain an opinion of counsel does not warrant an automatic finding of willfulness, the court held, in *Kloster Speedsteel AB v. Crucible, Inc.*,<sup>29</sup> that if a defendant did not produce an exculpatory opinion of counsel at trial, the trier of fact could adversely infer that the defendant either did not obtain an opinion or that the opinion advised the defendant that its activities would infringe the patent at issue.<sup>30</sup> The *Kloster* court found that the defendant's "silence on the subject" of an opinion of counsel, "in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did so and was advised that its import and sale of the accused products would be an infringement of valid U.S. patents."<sup>31</sup> Subsequently, the Federal Circuit reiterated the importance of obtaining an opinion of counsel by stating that the defendant meets the affirmative duty "usually by seeking the advice of competent and objective counsel, and receiving exculpatory advice."<sup>32</sup>

In practice, the Federal Circuit's pre-*Knorr-Bremse* precedent effectively required exculpatory opinions. In *Atmel Corp. v. Silicon Storage Tech. Inc.*,<sup>33</sup> for example, the Federal Circuit evaluated the nine Bott and Read factors and found willful infringement based solely on the defendant's failure to obtain an adequate opinion of counsel. The court noted that there was no evidence that the defendant deliberately copied the plaintiff's patent, no indication that the defendant behaved poorly as a party to the litigation, and no evidence that the defendant had a motivation to harm the plaintiff.<sup>34</sup> Further, the defendant's size and financial condition did not suggest that large damages would be appropriate and the defendant presented two good faith defenses.<sup>35</sup> Still, the court found willful infringement and awarded enhanced damages. The court's basis rested entirely on the defendant's inability to demonstrate that it had met its "affirmative duty" to respect the patentee's rights. While the defendant obtained an oral opinion of counsel indicating it did not infringe, the court considered the opinion inadequate because oral opinions are inherently less reliable than written opinions, the lawyer did not obtain the file history of the asserted patent before issuing the oral opinion, and the lawyer did not "investigate [the defendant's] liability for infringement as much as he might have."<sup>36</sup> All else being neutral (or even weighing in the defendant's favor), the court found willful infringement because the defendant did not obtain a satisfactory opinion of counsel.

In *Smith Engineering Co., Inc. v. Eisenmann Corp.*,<sup>37</sup> employees of the defendant company learned of the plaintiff's patent and, realizing it could be relevant to one of the company's products, passed the patent along to company engineers.<sup>38</sup> The engineers examined the patent and determined that the product did not infringe. Without any further evidence of willfulness, the court found willful infringement. "[The defendant]," the court explained, "did not produce evidence of opinion of

23 717 F.2d 1380 (Fed. Cir. 1983).

24 See *id.* at 1389.

25 800 F.2d 1101 (Fed. Cir. 1986).

26 *Id.* at 1109; See also *Wesley Jessen Corp. v. Bausch & Lomb, Inc.*, 209 F.Supp.2d 348, 391 (Fed. Cir. 2002) (the presence of an exculpatory opinion "is one factor to be weighed; it is not the end of the court's inquiry on willfulness").

27 See, e.g., Robert P. Taylor & Katharine L. Altemus, *But the Lawyers Said it was Okay... Revisiting the Role of Legal Opinions in Patent Litigation*, 801 P.LI/PAT 761, 768 (2004) ("the best evidence that the defendant acted in good faith is likely to be found in whether it contacted patent counsel upon learning of a potential infringement problem and whether it followed the legal advice received").

28 See *Johns*, 20 BERKELEY TECH. L.J. at 84 (noting that only the "deliberate copying" factor offers guidance).

29 793 F.2d 1565 (Fed. Cir. 1986).

30 *Id.* at 1580.

31 *Id.*

32 *Vulcan Engineering Co., Inc. v. Fata Aluminum, Inc.*, 278 F.3d 1366, 1378 (Fed. Cir. 2002).

33 202 F. Supp.2d 1096 (Fed. Cir. 2002).

34 *Id.* at 1102-08.

35 *Id.*

36 *Id.* at 1104.

37 28 Fed. Appx. 958 (Fed. Cir. 2002).

38 *Id.* at 965.

counsel. This presents a textbook example of willful infringement, and a instructive lesson on the need to consult *legal* counsel in evaluating the risk of patent infringement.<sup>39</sup> The court did not evaluate any evidence of deliberate copying and did not reference any other misconduct. Still, the court found willful infringement because the defendant did not produce an opinion.

Cases like *Atmel and Smith Engineering* left potential defendants little choice. Regardless of its comments in *Rolls-Royce*, the Federal Circuit considered the failure to produce an opinion of counsel sufficient to show willfulness.<sup>40</sup> Without producing an exculpatory opinion, defendants in the pre-*Knorr-Bremse* world had little hope of defeating an allegation of willful infringement.

Conversely, where defendants offered competent opinions, the Federal Circuit was less likely to find willfulness. In *Comark Communications, Inc. v. Harris Corp.*,<sup>41</sup> the Federal Circuit made clear that under normal circumstances, an opinion provided a sound defense to willful infringement. “Those cases where willful infringement is found despite the presence of an opinion of counsel,” the court explained, “generally involve situations where opinion of counsel was either ignored or found to be incompetent.”<sup>42</sup> Even where the opinion was not as complete as it could have been, the Federal Circuit rejected willfulness claims if the defendant was reasonable in its reliance on the opinion.<sup>43</sup>

*Kloster* substantially increased the need for a potential defendant to obtain an opinion of counsel in order to effectively respond to charges of willful infringement. Not only was an opinion of counsel often the only available evidence to show efforts to meet the affirmative duty, the failure to produce an opinion of counsel was itself evidence of willful infringement. In *American Medical Systems, Inc. v. Medical Engineering Corp.*,<sup>44</sup> despite the fact that the defendant offered evidence of attempts to design around the plaintiff’s patent, the court found willful infringement in part because the defendant withheld an opinion of counsel.<sup>45</sup> The adverse inference, in other words, could amount to a “complete sacrifice of the defense” offered by the defendant.<sup>46</sup>

Statistical evidence confirms that opinions of counsel offered the best means for defeating an allegation of willful infringement. According to a 2004 study by Kimberly Moore of George Mason University School of Law, of the patent cases from 1999 to 2000 in which the issue of willfulness was decided, 63.2 percent of defendants who did not present an opinion of counsel as a defense to a willfulness allegation were found to have willfully infringed.<sup>47</sup> In bench trials, the number rises to 84.2 percent.<sup>48</sup> Confronted with this incentive structure and the teachings of *Underwater Devices*, *Atmel*, *Comark*, and *Kloster*, defendants had little choice but to seek exculpatory opinions.

### C. The Consequences of Willful Infringement.

A defendant found to have willfully infringed can be required to pay enhanced damages under 35 U.S.C. Section 284, attorney fees under 35 U.S.C. Section 285, or both.<sup>49</sup> Section 284 states that “the court may increase the damages up to three times the amount found or assessed.”<sup>50</sup> The Federal Circuit has interpreted Section 284 to require a two-tiered test. First, the court determines if the infringer engaged in conduct upon which increased damages may be based. A

39 *Id.* (emphasis in original).

40 *See, e.g., Great Northern Corp. v. Davis Core & Pad Co., Inc.*, 782 F.2d 159, 167 (Fed. Cir. 1986) (finding that failure to produce opinion was “an adequate basis for the district court, in its discretion, to assess treble damages” and “sufficient to support the finding that this case is exceptional”).

41 156 F.3d 1182 (Fed. Cir. 1998).

42 *Id.* at 1191.

43 *See Georgia-Pacific Corp. v. U.S. Gypsum Co.*, 195 F.3d 1322, 1334 (Fed. Cir. 1999) (while the opinion the defendant relied on could have been better, “it is the type of opinion on which [the defendant] should have felt comfortable in relying on” and thus justified a rejection of the willfulness allegation).

44 6 F.3d 1523 (Fed. Cir. 1993).

45 *Id.* at 1531-32.

46 *See Abbott Labs. v. Baxter Travenol Labs, Inc.*, 676 F.Supp. 831, 832-33 (N.D. Ill. 1987).

47 Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 239 (2004).

48 *Id.*

49 *See, e.g., Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1274 (Fed. Cir. 1999) (court may grant enhanced damages); *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1460 (Fed. Cir. 1998) (court may grant attorney fees).

50 35 U.S.C. Section 284.

finding of willfulness satisfies this standard.<sup>51</sup> Then the court determines the amount of increased damages that are appropriate.<sup>52</sup> Courts consider the *Bott* and *Read* factors in making this determination.<sup>53</sup>

While a finding of willful infringement does not mandate enhanced damages,<sup>54</sup> a significant percentage of cases in which infringement is found to be willful involve some form of enhanced damages. According to Professor Moore's 2004 study, of the patent cases that were litigated and terminated over the period 1999 to 2000, enhanced damages were awarded in 87 percent of the cases in which the judge found willfulness.<sup>55</sup> Of cases where the jury found willful infringement over the same period, enhanced damages were granted 36.8 percent of the time.<sup>56</sup> The average infringement award from 1990 to 2000 was twenty-four million dollars.<sup>57</sup> As a result, the possibility of enhanced damages was real and significant.

Section 285 states that "the court in exceptional cases may award reasonable attorney fees to the prevailing party."<sup>58</sup> Without further statutory guidance, courts again developed a two-tiered test. Before a court awards attorney fees, it must (i) determine whether the party moving for fees has proven by clear and convincing evidence that the case is exceptional, and (ii) evaluate whether attorney fees are appropriate.<sup>59</sup> Courts found that "[i]n most cases, a finding of willful infringement is a sufficient basis for finding a case exceptional."<sup>60</sup> As was the case under Section 284, however, a finding of willfulness did not mandate a finding that the case was exceptional.<sup>61</sup>

According to Professor Moore's count, of the patent cases tried during the period 1983 to 2000, there was some form of monetary penalization (enhanced damages or attorney fees) in 91.9 percent of cases where the judge found willfulness, and in 60.6 percent of cases where the jury found willfulness.<sup>62</sup>

#### D. Practical Problems with the Pre-*Knorr-Bremse* Standard.

Scholars and legal commentators have identified many problems with the de facto requirement that defendants obtain opinions of counsel to defend against willful infringement. First, obtaining opinions for all potentially relevant opinions is often cost prohibitive. According to The Harvard Law Review, an opinion on a single patent costs on average between \$20,000 and \$100,000.<sup>63</sup> Companies often face the prospect of hundreds or even thousands of potentially relevant patents. Patent suits often involve multiple patents. Obtaining opinions on all potentially relevant patents is therefore not a realistic option for most companies.<sup>64</sup>

Second, the de facto requirement that defendants obtain opinions forces defendants to choose between preserving the attorney-client privilege and effectively defending against the willfulness allegation.<sup>65</sup> Relying on an opinion forces a defendant to waive the privilege. But without an opinion, the defendant often cannot effectively meet the affirmative duty. The pre-*Knorr-Bremse* defendant that did not offer an opinion faced the additional burden of the adverse inference that it received or would have received a negative opinion.

51 See, e.g., *Monsanto Co. v. McFarling*, 2005 WL 1490051 at \*3 (E.D. Mo. 2005); *Read*, 970 F.2d at 826.

52 See, e.g., *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996).

53 See *Read*, 970 F.2d at 826-27.

54 See *Modine Mfg. Co. v. The Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990).

55 Moore, 14 FED. CIR. B.J. at 238.

56 *Id.*

57 See Note, *The Disclosure Function of the Patent System (or Lack Thereof)*, 118 HARV. L. REV. 2007, 2020 (April 2005).

58 35 U.S.C. Section 285.

59 See, e.g., *Engineered Products Co. v. Donaldson Co., Inc.*, 335 F.Supp.2d 973, 982 (N.D. Iowa 2004); *Cybor*, 138 F.3d at 1460.

60 *Kemin Foods, L.C. v. Pigmentos Vegetales del Centro S.A. de C.V.*, 357 F. Supp.2d 1105, 1131 (S.D. Iowa 2005) (citing *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1128 (Fed. Cir. 1993)); *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1340 (Fed. Cir. 2004).

61 See, e.g., *Cybor*, 138 F.3d at 1461.

62 Moore, 14 FED. CIR. B.J. at 238.

63 118 HARV. L. REV. at 2020-21.

64 See Taylor, 824 P.L.I./PAT at 761 (noting that critics complain that "imposing an affirmative duty to obtain such legal opinions subjects potential defendants to costs far out of proportion with any benefit to the patent owner or the objectives of the patent system.")

65 See, e.g., *Mushroom Associates v. Monterey Mushrooms, Inc.*, 24 U.S.P.Q. 2d 1767, 1770 (N.D. Cal. 1992) (finding a waiver of attorney-client privilege and explaining that "[t]he use of counsel defense is not without its implications. By relying on the advice of counsel defense, the defendants have injected their counsel's advice as an issue into this litigation.")

In *Quantum Corp. v. Tandon Corp.*,<sup>66</sup> the Federal Circuit acknowledged this dilemma. The plaintiff in *Quantum* moved to compel the defendant to produce documents relating to the opinion of counsel or to preclude the defendant from relying on the opinion.<sup>67</sup> The district court allowed the plaintiff's motion to compel and ordered production of the documents. In considering whether to review the district court ruling, the Federal Circuit explained:

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. An accused infringer, therefore, should not, without the trial court's careful consideration, be forced to choose between waiving the privilege in order to protect itself from a willfulness finding, in which case it may risk prejudicing itself on the question of liability, and maintaining the privilege, in which case it may risk being found to be a willful infringer if liability is found.<sup>68</sup>

The court nevertheless denied the defendant's appeal of the district court ruling.<sup>69</sup> The defendant was left with the dilemma of risking a willfulness finding or waiving the privilege.

Third, a defendant choosing to rely upon an opinion and waive the privilege faces the additional burden that the scope of the waiver is often unpredictable. Courts agree that reliance on an opinion of counsel creates a waiver.<sup>70</sup> The general rule is that reliance on privileged communications waives the privilege over other communications "relating to the same subject matter."<sup>71</sup> However, "there is no bright line test for determining what constitutes the subject matter of a waiver"<sup>72</sup> and courts are left to determine the scope of the waiver on a case-by-case basis. District courts disagree as to how broad the waiver ought to be.

Some courts find the scope of the waiver to be broad. Under the broad waiver, the defendant who relies on an opinion of counsel waives the attorney-client and work-product privileges with respect to *all* communications and documents relating generally to the subject of the opinion.<sup>73</sup> The broad waiver has been found to include all communications relating to infringement.<sup>74</sup> The broad waiver has been extended to trial counsel<sup>75</sup> and to documents created after the opinion letter was drafted.<sup>77</sup> Other courts find the scope of the waiver to be more limited. Under the limited waiver, a defendant who relies on an opinion of counsel waives the attorney-client and work product privileges only with respect to the opinion and the communications that form the basis of the opinion.<sup>78</sup> This competing precedent leaves defendants with little guidance as to how costly a waiver will be.

66 940 F.2d 642 (Fed. Cir. 1991).

67 *Id.* at 643.

68 *Id.* at 643-4.

69 *Id.* at 644.

70 *See, e.g., Novartis Pharmaceuticals Corp., A.G. v. Eon Labs Manu. Corp.*, 206 F.R.D. 396, 397 (D. Del. 2002) (noting that courts reaching opposite conclusions as to the scope of privilege waiver agree that reliance on an opinion of counsel renders communications between the attorney and client discoverable); *Aspex Eyewear, Inc. v. ELite Optik, Inc.*, 276 F.Supp. 2d 1084, 1087 (D. Nev. 2003) (both plaintiff and defendant agree that reliance on opinion of counsel results in some waiver of attorney-client and work-product privileges).

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

72 *See id.*

73 *See, e.g., Novartis*, 206 F.R.D. at 398 ("The court concludes that everything with respect to the subject matter of counsel's advice is discoverable..."); *Steelcase, Inc. v. Haworth, Inc.*, 954 F.Supp. 1195, 1198 (W.D. Mich. 1997) ("Certainly, a defendant asserting an advice-of-counsel defense must be deemed to have waived the privilege as to all communications between counsel and client concerning the subject matter of the opinion.")

74 *See, e.g., Aspex*, 276 F.Supp.2d at 1088 (allowing discovery of all communications regarding subject matter of validity, enforceability and infringement of the patents in suit); *Steelcase*, 954 F.Supp. at 1200 (allowing discovery of attorney-client communications concerning unasserted but related patents because subject matter waiver is not limited to patents in suit).

76 *See, e.g., AKEVA, L.L.C. v. Mizuno Corp.*, 243 F.Supp.2d 418, 423 (M.D.N.C. 2003) (where opinion counsel is trial counsel, waiver covers trial counsel).

77 *See, e.g., id.* ("once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement").

78 *See, e.g., Cordis Corp. v. SciMed Life Sys., Inc.*, 980 F.Supp. 1030, 1034 (D. Minn. 1997) (plaintiff is entitled to the documents of opinion counsel "insofar as they relate to the gathering of factual bases for the opinions...").

Fourth, a standard that requires opinions of counsel creates the “perverse incentive” for defendants to avoid learning about patents. The affirmative duty is not triggered until the defendant has knowledge of a plaintiff’s patent.<sup>79</sup> As long as the defendant can avoid knowledge of patents, it has no affirmative duty, no need to obtain opinions of counsel, and no risk of the adverse inference. Contrary to the spirit of the law, this standard encourages defendants to remain willfully ignorant of potentially relevant patents.<sup>80</sup>

Fifth, even the goal of willful infringement doctrine to discourage intentional infringement is potentially undercut by a willfulness doctrine that requires a defendant to obtain opinions. Regardless of a defendant’s actual efforts to avoid infringement, often the only reliable way for a defendant to meet the affirmative duty is to obtain an exculpatory opinion. As a result, even if a defendant takes no other efforts to avoid infringing a patent, as long as the defendant relies on a reasonable opinion, it is in a similar evidentiary position as the defendant who legitimately seeks to avoid infringement. Further, a doctrine that requires an opinion leaves defendants who proactively seek to demonstrate good faith in a potentially worse position than if they did nothing. If a concerned defendant conducts a patent search to avoid potentially infringing activities, it triggers the affirmative duty and the associated costs and waiver problems associated with opinions of counsel. Rather than discouraging infringement, this doctrine simply encourages a defendant to obtain an opinion of counsel.

Sixth, some commentators have also noted that a standard requiring opinions encourages the growth of a “cottage industry” of exculpatory opinions.<sup>81</sup> Other commentators have suggested that clients hire outside counsel to write opinion letters with the “unstated expectation” that the opinion will find that there was no infringement.<sup>82</sup>

Finally, a standard requiring opinions appears to result in an excess of willful infringement claims. Although willfulness is intended to apply only to instances in which the defendant acted in “wanton disregard” of a patentee’s rights, between 1999-2000, willful infringement was alleged in 92.3 percent of infringement suits.<sup>83</sup>

Faced with these issues, the Federal Circuit agreed to hear *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMB v. Dana Corp. en banc* in September 2004.

## PART II: THE *KNORR-BREMSE* DECISION AND ITS IMPACT

### A. Facts.

The plaintiff, Knorr-Bremse, was a German company that manufactured air disk brakes for heavy vehicles.<sup>84</sup> The company owned the ‘445 patent which covered an improvement to air disk brakes.<sup>85</sup> Dana Corporation, the defendant, was an American company that collaborated with Haldex, a Swedish brake manufacturer, to sell air disk brakes in the United States. Specifically, Dana imported two models of Haldex brakes, the Mark II and Mark III. After protracted disputes with Haldex in Europe, Knorr-Bremse asserted the ‘445 patent against Dana and the Mark II and Mark III brakes in the United States, and alleged willful infringement.<sup>86</sup>

79 See, e.g., *Underwater Devices*, 717 F.2d at 1389 (“where...a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing”); *Gustafson*, 897 F.2d at 510 (“to willfully infringe a patent, the patent must exist and one must have knowledge of it”) (citing *State Industries, Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985)).

80 The goal of the patent system is to bring new technologies into the public domain. See, e.g., *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51 (1989) (the patent system embodies a bargain that encourages the creation of advances in technology); *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 63 (1998) (noting that patent law “encourages both the creation and the public disclosure of new and useful advances in technology”). The pre-*Knorr-Bremse* standard hampered this goal. See, e.g., 118 HARV. L. REV. at 2020 (noting the “perverse incentive for potential infringers not to become too aware”); Robert Greene Sterne, et al., *The 2005 U.S. Patent Landscape for Electronic Companies*, 823 P.L.I./PAT 293, 353-54 (March 2005) (noting that attorneys for electronic companies counseled clients to avoid searching patents before beginning a new project).

81 See, e.g., *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337, 1351 (Fed. Cir. 2004) (Dyk, J., concurring in part and dissenting in part) (noting that pre-*Knorr-Bremse* law created a “cottage industry of window-dressing legal opinions by third party counsel...”).

82 See Geoffrey Shippides, *Advocacy or Counsel: The Continuing Dual Role of Written Infringement Opinion Letters and the Failure of Knorr-Bremse to Confine the Role of Patent Attorneys Issuing Written Infringement Opinion Letters*, 18 GEO. J. LEGAL ETHICS 1069, 1070 (Summer 2005) (suggesting that an opinion letter can put a patent attorney in the “position where must either ignore one of his functions, either as a counselor or as an advocate, or must act dishonestly to fully serve the client.”).

83 See Moore, 14 FED. CIR. B.J. at 232 (studying 1,721 complaints).

84 *Knorr-Bremse*, 383 F.3d at 1341.

85 *Id.*

86 *Id.* at 1341-42.



In the Eastern District of Virginia, Knorr-Bremse won summary judgment that the Mark II infringed the '445 patent. At the subsequent trial regarding the Mark III, *Knorr-Bremse* again prevailed.<sup>87</sup> The district court's analysis with respect to willful infringement focused on two factors. First, the court noted that Dana continued to operate trucks with the Mark II brakes after it lost summary judgment. Second, neither Haldex nor Dana produced an exculpatory opinion of counsel. Haldex claimed to have consulted an attorney on the question of whether the Mark II and Mark III infringed the '445 patent, but did not produce the opinion in order to avoid waiving the attorney-client privilege. Dana admitted that it did not consult an attorney upon learning of the '445 patent but claimed to have relied on the legal opinion obtained by Haldex.<sup>88</sup> Based on these facts, the district court applied the adverse inference and found that Dana willfully infringed the patent. The court awarded Knorr-Bremse attorney fees under Section 285.<sup>89</sup> Dana appealed only the issues of willfulness and the award of attorney fees.<sup>90</sup>

## B. The Federal Circuit's Holding.

On appeal, the Federal Circuit eliminated the adverse inference. The court found that the adverse inference is not appropriate when the defendant invokes the privilege instead of relying on an opinion.<sup>91</sup> The court also found that the adverse inference is inappropriate when the defendant does not obtain an opinion. The court explained that there should not be a "legal duty" to obtain costly opinions.<sup>92</sup>

The court left the rest of willful infringement doctrine untouched. Notably, the court stated that "there continues to be 'an affirmative duty of care to avoid infringement of the known patent rights of others.'"<sup>93</sup> The court also found that a substantial defense to infringement is not a per se defense to willfulness.<sup>94</sup>

Finally, the court remanded the case to the district court for reconsideration without the adverse inference.<sup>95</sup> The court noted, but did not discuss, the question of whether the elimination of the adverse inference prevented Knorr-Bremse on remand from offering evidence of Dana's failure to obtain an opinion.<sup>96</sup>

In a separate concurring and dissenting opinion, Judge Dyk agreed with the majority opinion to the extent that it eliminated the adverse inference but objected to the majority's support of the affirmative duty.<sup>97</sup> The affirmative duty, Judge Dyk argued, "has fostered a reluctance to review patents for fear that the mere knowledge of a patent will lead to a finding of lack of due care." Judge Dyk also stated that the affirmative duty leads to legal costs and supports the "cottage industry of window-dressing legal opinions."<sup>98</sup> Moreover, Judge Dyk pointed out that recent Supreme Court precedent limited the application of punitive damages to instances of "reprehensible" conduct.<sup>99</sup> Failure to meet the affirmative duty, Judge Dyk argued, "is not itself reprehensible conduct."<sup>100</sup>

On remand, the district court for the Eastern District of Virginia reconsidered the issue of willfulness in light of the Federal Circuit's holding. Even without the adverse inference, the district court found the defendant's infringement to be willful.<sup>101</sup> The court found that Dana did not take swift remedial action, only presented one colorable argument as a defense, and, while it did make an effort to design around the patent, it continued to use the infringing brake while attempting to design around.<sup>102</sup>

87 *Id.* at 1342.

88 *Id.*

89 *Id.*

90 *Id.*

91 *Id.* at 1344.

92 *Id.* at 1345-46.

93 *Id.* at 1345.

94 *Id.* at 1347.

95 *Id.* at 1346.

96 *Id.* at 1346-47.

97 *Id.* at 1348.

98 *Id.* at 1351.

99 *Id.* at 1348.

100 *Id.* at 1349.

101 *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 372 F.Supp.2d 832, 846-47 (E.D. Va. 2005).

102 *Id.*

**C. The Impact of *Knorr-Bremse*: the Federal Circuit Correctly Eliminated the Most Extreme Problem of Willful Infringement Doctrine But Did Not Alleviate The Practical Problems Facing Defendants.**

The Federal Circuit's elimination of the adverse inference was the correct result. The adverse inference unfairly penalized a defendant for refusing to waive the attorney-client privilege. As a practical matter, however, the impact of *Knorr-Bremse* will be limited. *Knorr-Bremse* eliminated the most extreme problem, but because an opinion of counsel will often remain the only realistic way for a defendant to meet its affirmative duty, many of the pre-*Knorr-Bremse* problems will persist.

**(i) Eliminating the Adverse Inference was the Correct Result.**

The elimination of the adverse inference was correct for at least three reasons. First, the adverse inference was inconsistent with longstanding precedent with respect to the attorney-client privilege. The Supreme Court has stated that the attorney-client privilege is the oldest privilege covering confidential communications.<sup>103</sup> By protecting the communications between an attorney and client, the Supreme Court has explained that the privilege serves the vital role of encouraging "full and frank communications" between attorney and client.<sup>104</sup> The privilege allows free communication with an attorney and therefore promotes the "observance of law" and the "administration of justice."<sup>105</sup> Penalizing a defendant for *not* waiving the privilege, as the adverse inference did by compelling defendants to waive the privilege to avoid a finding of willfulness,<sup>106</sup> ran contrary to this precedent.<sup>107</sup> Cases applying the adverse inference offered no explanation for why willful infringement, unlike many other discouraged practices such as inequitable conduct, torts, and even crimes, justified an abrogation of the attorney-client privilege.

Second, the adverse inference was based on the unjustified presumption that the only reason a defendant would not waive the privilege or seek an opinion of counsel was because an opinion did, or would, show infringement. This presumption ignored the fact that there are many other legitimate reasons for a defendant to not waive the privilege and rely on an opinion. A defendant, for instance, might not be able to bear the heavy financial burden of obtaining opinions for multiple patents. A defendant might be concerned that the waiver of the attorney-client privilege would be too broadly construed. The prospect of waiving the privilege as to communications unrelated to willfulness might encourage some defendants to avoid relying on an opinion. Further, a defendant may worry that the opinion of counsel would alert the plaintiff to new arguments.<sup>108</sup> The adverse inference ignored these genuine considerations.

Third, the weight of the adverse inference unjustifiably negated a defendant's legitimate efforts to avoid willful infringement. Courts often based willfulness findings on the absence of an opinion, regardless of a defendant's other efforts to show good faith. In *American Medical Systems, Inc. v. Medical Engineering Corp.*,<sup>109</sup> for example, despite the fact that the defendant tried to design around the plaintiff's patent, the court found willful infringement in part because the defendant withheld an opinion.<sup>110</sup> The adverse inference unfairly discounted efforts to avoid infringement.

**(ii) The Practical Problems that Existed Prior to *Knorr-Bremse* Persist.**

Even with the elimination of the adverse inference, most of the practical problems identified with the pre-*Knorr-Bremse* standard will persist. Defendants still have an affirmative duty of determining whether they infringe known patents. Because infringement is ultimately a legal question, in some cases the only practical way for defendants to sufficiently meet this duty will be to obtain an opinion of counsel.

103 See, e.g., *Upjohn Co. v. U.S.*, 449 U.S. 383, 389 (1981); *Hunt v. Blackburn*, 128 U.S. 464, 470 (1888).

104 See *Upjohn*, 449 U.S. at 389; *U.S. v. Zolin*, 491 U.S. 554, 562 (1989) (clients must be able to "make full disclosure" to their attorneys) (citing *Fisher v. U.S.*, 425 U.S. 391, 403 (1976)).

105 See *id.*

106 See *Terra Nova, Inc. v. Golden Gate Products, Inc.*, 2004 WL 2254559 at \*2 (N.D. Cal. 2004) (noting that "obtaining an opinion of counsel to defend against willfulness was close to compulsory in the pre-*Knorr* timeframe").

107 See, e.g., *Upjohn*, 449 U.S. at 389 (stating that the purpose of the privilege is to "encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice;").

108 See, e.g., Jennifer K. Bush, *et al.*, *Six Patent Law Puzzles*, 13 TEX. INTELL. PROP. L.J. 1, 24-5 (Fall 2004) (identifying eleven legitimate reasons why a defendant may wish to withhold an opinion of counsel).

109 6 F.3d 1523 (Fed. Cir. 1993).

110 *Id.* at 1531-32.

The *Knorr-Bremse* majority confirmed that a defendant has “an affirmative duty of due care to avoid infringement.”<sup>111</sup> A defendant to a willful infringement claim “must show that it affirmatively investigated the scope of a patent and formed a good faith belief that the patent is either invalid or not infringed.”<sup>112</sup> *Knorr-Bremse* did not offer guidance as to how a defendant can meet this duty.<sup>113</sup> The court simply stated that a substantial defense alone does not always meet the affirmative duty.<sup>114</sup> As a result, a post-*Knorr-Bremse* defendant, just like a pre-*Knorr-Bremse* defendant, may often find that an opinion is the best means of meeting the affirmative duty.<sup>115</sup>

The ultimate result of *Knorr-Bremse* confirmed the importance of opinions. On remand, the district court for the Eastern District of Virginia *again* found willful infringement. Even absent the inference, the court held that Dana’s infringement was willful because Dana did not take quick remedial action and continued to use the infringing brake while it was designing around the patent.<sup>116</sup>

Subsequent decisions have also confirmed the importance of opinions. In *Clontech Labs. Inc. v. Invitrogen Corp.*,<sup>117</sup> the Federal Circuit cited its opinion in *Knorr-Bremse* for the premise that:

Failure to take on the costs of a reasonably competent search for information necessary to interpret each patent, investigation into prior art and other information bearing on the quality of the patents, and analysis thereof can result in a finding of willful infringement, which may treble the damages an infringer would otherwise have to pay.<sup>118</sup>

The court’s advice is remarkably similar to the instructions given to pre-*Knorr-Bremse* defendants.

In *Applied Medical Resources Corp. v. United States Surgical Corp.*,<sup>119</sup> the Central District of California indicated that opinions of counsel continue to be essential in willfulness determinations. The court found willfulness despite the fact that the defendant tried to design around the plaintiff’s patent because the exculpatory opinions the defendant obtained were not sufficient.<sup>120</sup> The opinion letters, the court explained, were either too late or did not adequately address infringement.<sup>121</sup>

Because opinions often remain the best way to meet the affirmative duty, the pre-*Knorr-Bremse* problems associated with the doctrine of willful infringement persist. Opinions of counsel remain expensive and companies are not realistically able to obtain opinions for all potentially relevant patents. Incentive still exists for a defendant to avoid learning about patents in order to avoid the affirmative duty.<sup>122</sup> Defendants continue to face the dilemma of waiving the privilege or defending themselves against willfulness. The scope of the waiver remains uncertain. Because plaintiffs can gain access to attorney-client communications simply by asserting willful infringement, willfulness will continue to be asserted excessively. The goal of deterrence will remain elusive, as indifferent defendants will effectively be put in the same evidentiary position as good-faith defendants by simply obtaining opinions. Finally, because potential defendants will continue to rely on opinions, the “cottage industry” of exculpatory opinions will persist.<sup>123</sup>

111 *Knorr-Bremse*, 383 F.3d at 1348 (Dyk, J. dissenting on ground that majority reaffirmed affirmative duty as announced in *Underwater Devices*).

112 *See Gros & Rapalino*, 825 P.11/Pat at 150; *See also Imorex*, 408 F.3d at 1377 (Federal Circuit notes that actual notice of another’s patent rights triggers an affirmative duty of due care); *Kemin Foods*, 357 F.Supp.2d at 1129 (noting that a potential infringer with actual notice of another’s patent has an affirmative duty of due care to avoid infringement); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 2004 WL 2260606 at \*2 (D. Ore. 2004) (noting that the law imposes an affirmative duty of care to avoid infringement).

113 *See Johns*, 20 BERKELEY TECH. L. J. at 71 (*Knorr-Bremse* did not provide instruction on the “due care” requirement).

114 *See, e.g., Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 2004 WL 2260626 at \*10 (N.D. Ill. 2004) (noting that *Knorr-Bremse* stated that a substantial defense does not provide a per se defense to willfulness).

115 *See* 118 HARV. L. REV. at 2019 (noting that the law no longer imposes an adverse inference but there is no “reliable alternative” to meet the affirmative duty other than producing an opinion of counsel).

116 *Knorr-Bremse*, 372 F.Supp. 2d at 846-47. Despite finding willfulness, however, the district court did not award attorneys fees under section 285. The court found that Dana’s behavior was not “so egregious...as to justify attorneys fees.” *Id.* at 852. The court did not address enhanced damages under section 284 because *Knorr-Bremse* stipulated that there were no damages at issue. Only the most reckless defendant will choose not to obtain an opinion of counsel under the assumption that the court will find willfulness but not enhanced damages.

117 406 F.3d 1347 (Fed. Cir. 2005).

118 *Id.* at 1357, n.6; *See also Kemin Foods*, 357 F.Supp.2d at 1129 (stating that the affirmative duty “may require obtaining competent legal advice”).

119 353 F.Supp.2d 1075 (C.D. Cal. 2004).

120 *Id.* at 1078-83.

121 *Id.* at 1081-83.

122 *See Bush et al.*, 13 TEX. INTEL. PROP. L.J. at 27 (noting that even after *Knorr-Bremse*, many companies will conclude that the safer course is to refrain from reviewing patents).

123 *See Shippers*, 18 GEO. J. LEGAL ETHICS at 1070-72 (noting that the “willful infringement/written opinion game” will continue after *Knorr-Bremse*).

It is possible that *Knorr-Bremse* actually made things worse for potential defendants. Before *Knorr-Bremse*, defendants at least knew for certain that an opinion of counsel was necessary. Without that bright line rule, many defendants, to their detriment, may be more inclined to risk not getting an opinion.

Further, the fact that the *Knorr-Bremse* court did not address the question of whether a plaintiff can alert the trier of fact to a defendant's failure to seek and obtain an exculpatory opinion could allow plaintiffs to, in effect, create an adverse inference. Early indications are that courts will not prohibit the plaintiff from offering this evidence. In *Engineered Products Co. v. Donaldson Co.*,<sup>124</sup> the Federal Circuit affirmed a finding of willful infringement despite the fact that the jury instructions in the district court trial noted that the defendant did not obtain an opinion of counsel. The court stated that the instruction was not improper because "the instructions merely directed the jury to consider whether [the defendant] sought a legal opinion as one factor in assessing whether, under the totality of the circumstances, infringement by the [accused product] and willful."<sup>125</sup>

### PART III: RECOMMENDED SOLUTIONS

#### A. The Problems Associated with Willfulness Doctrine Will Continue Until the Affirmative Duty is Eliminated.

The affirmative duty is the primary source of the ongoing problems with willful infringement doctrine. The affirmative duty makes the current willfulness standard one of "guilty until proven innocent" because the burden is on the defendant to show that any alleged infringement was not willful. The existing problems will persist until the affirmative duty is eliminated.

##### (i) The Elimination of the Affirmative Duty Would Alleviate the Practical Problems Associated with Willful Infringement Doctrine.

Eliminating the affirmative duty would effectively shift to the plaintiff the burden of producing actual evidence of a defendant's intent to infringe. As a result, defendants would no longer need to obtain opinions to "prove" their alleged infringement was not intentional. This would alleviate many of the practical problems currently facing defendants to willfulness allegations. Defendants would no longer face the unrealistic expectation that they obtain opinions on every potentially relevant patent of which they become aware. Defendants could also search for and evaluate potentially relevant patents without fear of triggering the affirmative duty. Defendants would no longer need to choose between waiving the attorney-client privilege, on the one hand, and mounting an effective defense to willfulness allegations, on the other. Finally, eliminating the affirmative duty would permit defendants to focus on legitimate efforts to avoid infringement rather than on simply obtaining opinions. The net result of these changes would be that willfulness findings would more likely be limited to circumstances in which defendants actually intended to infringe, as the law intends.

##### (ii) The Elimination of the Affirmative Duty Would Make Willful Infringement Doctrine Consistent With Other Intent-Based Legal Standards.

In other intent-based legal standards, plaintiffs are required to come forward with actual evidence of intent. Specifically, for example, in the areas of intentional interference with contract, and inequitable conduct before the United States Patent and Trademark Office ("PTO"), courts have required that the proponent produce actual evidence of intent. There is no reason why the same standard should not apply to willful infringement.<sup>126</sup>

<sup>124</sup> 147 Fed. Appx. 979 (Fed. Cir. 2005). Note that the opinion is not citable as precedent.

<sup>125</sup> *Id.* at 991. At least one district court has also allowed a plaintiff to call attention to the absence of an exculpatory opinion. In *Applera Corp. v. MUJ Research, Inc.* (372 F.Supp.2d 233 (D. Conn. 2005)) the court explained that the plaintiff could inform the jury of a defendant's failure to obtain an opinion because the absence of the opinion is not outcome determinative (*Id.* at 243).

<sup>126</sup> The majority in *Knorr-Bremse* recognized this principle in a different context. In eliminating the adverse inference, the majority noted that outside of patent law, courts "declined to impose adverse inferences on invocation of the attorney-client privilege." "We now hold," the court explained, "that this rule applies to the same extent in patent cases as in other areas of law." *Knorr-Bremse*, 383 F.3d at 1345. The majority did not apply this logic when it upheld the affirmative duty.

To succeed on a claim of intentional interference with contract, the plaintiff must show that (a) a valid contract existed; (b) a third party had knowledge of the contract; (c) that the third party *intentionally* procured the breach of the contract; and (d) that the breach resulted in damage to the plaintiff.<sup>127</sup> To meet the intent element, the plaintiff must offer actual proof of a defendant's intent to interfere.<sup>128</sup> Without such proof, the plaintiff cannot prevail.<sup>129</sup>

In *General Sound Telephone Co., Inc. v. AT&T Communications, Inc.*,<sup>130</sup> the plaintiff telecommunications provider alleged that AT&T intentionally interfered with a contract between the plaintiff and a customer.<sup>131</sup> The plaintiff was a competitor with AT&T and contracted to provide telecommunications services to the customer. In order to provide complete service, the plaintiff had to place a service order with an AT&T subsidiary because of AT&T's control over state inter-exchange companies. AT&T, however, did not perform the work as promised. As a result of the delay in phone service, the customer ended its relationship with the plaintiff and subsequently contacted AT&T for service.<sup>132</sup> To meet its burden of proof on the intentional interference claim, the plaintiff pointed to AT&T's failure to complete the service order. The court rejected the claim because the plaintiff did not produce any evidence that AT&T intended to disrupt the contractual relationship between the plaintiff and the customer.<sup>133</sup> Regardless of AT&T's inaction, intent was not assumed. Other courts applying the intentional interference standard have likewise held that intent to interfere with a contractual relationship will not be presumed absent evidence of intent.<sup>134</sup>

In *Lightning Lube, Inc. v. Witco Corp.*,<sup>135</sup> the court found intentional interference because there was clear evidence of intent. In *Lightning Lube*, the plaintiff, a quick-lube franchisor, contracted with franchisees to provide equipment and training.<sup>136</sup> The plaintiff sued Witco for intentional interference with contract after a number of the franchisees ended their relationship with the plaintiff and entered agreements with Witco. To support its intentional interference claim, the plaintiff offered proof that a Witco sales manager approached franchisees and encouraged them to end the agreement with the plaintiff. The Witco manager told the franchisees that if they would walk away from the plaintiff and "deal directly with me and [Witco], we'll come in, we'll put new reel equipment in for you and there won't be anymore rental charge."<sup>137</sup> Such direct evidence of intent convinced the court that Witco intentionally interfered with the plaintiff's contracts.<sup>138</sup>

Similarly, a party alleging inequitable conduct before the PTO must also produce evidence of intent in order to succeed. The party that alleges inequitable conduct has the burden to prove by clear and convincing evidence that the undisclosed prior art was material, that the applicant had knowledge of the prior art and its materiality, that the applicant failed to disclose the prior art, and that the applicant had an *intent* to mislead the PTO.<sup>139</sup> If the party alleging inequitable conduct does not show intent, the burden is not satisfied.<sup>140</sup> Courts have recognized that concrete statements showing an undisputable intent to deceive the PTO are rare and sometimes infer intent from the

127 See, e.g., *Finley, MD. v. Giarobbe*, 79 F.3d 1285, 1294 (2nd Cir. 1996); *TVT Records v. The Island Def Jam Music Group*, 412 F.3d 82, 88 (2nd Cir. 2005) (tortious interference with contract requires a showing that a valid contract exists and that a third party with knowledge of the contract intentionally and improperly procured its breach).

128 See, e.g., *Wardlaw v. Inland Container Corp.*, 76 F.3d 1372, 1376 (5th Cir. 1996) (the plaintiff must show that the defendant intended to interfere or was substantially certain that interference would result from his actions); *DeVoto v. Pacific Fidelity Life Ins. Co.*, 618 F.2d 1340, 1347 (9th Cir. 1980) (inquiry into the motive or purpose of the defendant is necessary); RESTATEMENT (SECOND) OF TORTS, Section 766 (1979) ("One who intentionally and improperly interferes with the performance of a contract...between another and a third person by inducing or otherwise causing the third person not to perform the contract, is subject to liability...").

129 See, e.g., *Gerstner Electric, Inc. v. American Ins. Co.*, 520 F.2d 790, 794 (8th Cir. 1975) (there must be proof that the defendant knew his act was wrongful); *General Sound Telephone Co., Inc. v. AT&T Communications, Inc.*, 654 F.Supp. 1562, 1566 (E.D. Pa. 1987) ("since plaintiff has produced no evidence of intent, it cannot maintain its claim for interference with existing contractual relations").

130 654 F. Supp. 1562 (E.D. Pa. 1987).

131 *Id.* at 1563.

132 *Id.* at 1563-64.

133 *Id.* at 1566.

134 See *LucasArts Entertainment Co. v. Humongous Entertainment Co.*, 870 F.Supp. 285, 291 (N.D. Cal. 1993) (plaintiff cannot succeed on an intentional interference claim by citing a press release the defendant issued to plaintiff's customers according to standard company practices characterizing plaintiff's agreement with third party as breach of licensing agreement).

135 4 F.3d 1153 (3rd Cir. 1993).

136 *Id.* at 1162.

137 *Id.* at 1168.

138 *Id.* at 1170; See also *Engine Specialists, Inc. v. Bombardier Ltd.*, 605 F.2d 1, 4-5 (1st Cir. 1979) (finding evidence of intent where the defendant approached the party with whom the plaintiff had contracted and offered a new contract and financial support if the plaintiff breached the contract with plaintiff).

139 See, e.g., *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995).

140 See, e.g., *Heulett-Packard Co. v. Bausch & Lomb, Inc.*, 882 F.2d 1556, 1562 (Fed. Cir. 1989) (without finding an intent to mislead, the district court could not properly conclude that inequitable conduct was committed); *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 552 (Fed. Cir. 1990) (without evidence of intent to deceive there is no inequitable conduct).

circumstances.<sup>141</sup> However, the circumstances must show more than “merely gross negligence.”<sup>142</sup> “[C]lear and convincing evidence must prove that an applicant had the specific intent to accomplish an act that the applicant ought not to have performed, *viz.*, misleading or deceiving the PTO.”<sup>143</sup>

In *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*,<sup>146</sup> the Federal Circuit found a lack of evidence of intent to deceive the PTO. The prosecuting attorney in *Hewlett-Packard* submitted an affidavit in support of an application. The attorney took no efforts to make certain that the affidavit was accurate or true. Even though the district court found that there was “studied ignorance,” and “reckless indifference,” the Federal Circuit remanded because the district court did not make an explicit finding on intent to mislead the PTO.<sup>147</sup>

In *Paragon Podiatry Lab, Inc. v. KLM Labs, Inc.*,<sup>148</sup> the court affirmed summary judgment of inequitable conduct when the applicant submitted three affidavits supporting the invention over the prior art. The applicant represented that the declarants were disinterested parties despite knowing that the declarants held stock in the potential patentee company and previously served as consultants.<sup>149</sup> The applicant based its representation on the fact that the declarants were technically not “employed” by the company. Such a “half truth,” the court found, demonstrated intent to deceive the PTO into believing that the declarants had no interest in the company.<sup>150</sup> Likewise, in *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*,<sup>151</sup> the court found inequitable conduct where the prosecuting attorney failed to disclose a prior art reference that explicitly disclosed one of the limitations in the application. The court inferred intent because the inventors with whom the attorney was working wrote the article, the attorney approved the article for publication, and the attorney possessed the article when he wrote the corresponding French patent application.<sup>152</sup>

The same proof requirements for intent should apply in the willfulness context. Willful infringement is not so much worse than inequitable conduct or intentional interference with contract that it justifies imposing a more demanding standard on defendants.<sup>153</sup>

### (iii) The Elimination of the Affirmative Duty Would Limit Willfulness Findings to Instances in which the Defendant Truly Acts with “Wanton Disregard” for a Patentee’s Rights.

The Federal Circuit has held that willful infringement doctrine is intended to punish “egregious” conduct.<sup>154</sup> Enhanced damages from willful infringement are essentially punitive damages designed to discourage and penalize bad behavior.<sup>155</sup> The affirmative duty, however, allows punitive damages even when there has been no showing of egregious conduct. A defendant can be required to pay enhanced damages simply because it fails to obtain or disclose an opinion of counsel, even if it had no intent to infringe.<sup>156</sup> As Judge Dyk noted in his concurring and dissenting opinion in *Knorr-Bremse*, the Supreme Court has limited the award of punitive damages to instances in which the defendant’s conduct meets a requirement of “reprehensibility.”<sup>157</sup> Eliminating the affirmative duty would limit the award of punitive damages to circumstances where plaintiffs can prove actual intent to infringe a valid patent. It would therefore appropriately limit punitive damages to the “exceptional” space cases.

141 See, e.g., *Molins*, 48 F.3d at 1181; *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (“the involved conduct, viewed in light of all evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.”).

142 See *Molins*, 48 F.3d at 1181.

143 *Id.*; See also *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 939 (Fed. Cir. 1990) (inequitable conduct requires clear evidence of conduct sufficient to support an inference of intent to deceive); *FMC Corp. v. The Manitowoc Co., Inc.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987) (inequitable conduct is not “a magic incantation to be asserted against every patentee.”).

146 882 F.2d 1556 (Fed. Cir. 1989).

147 *Id.* at 1560-63.

148 984 F.2d 1182 (Fed. Cir. 1993).

149 *Id.* at 1191-92.

150 *Id.* at 1192.

151 326 F.3d 1226 (Fed. Cir. 2003).

152 *Id.* at 1240.

153 Under this intent standard, findings of willfulness would presumably be on par with findings of inequitable conduct. According to one study, district courts found for the party asserting inequitable conduct in 30 percent of all cases from 1995-2004. See Katherine Nolan-Stevaux, *Inequitable Conduct Claims in the 21st Century: Combating the Plague*, 20 BERKELEY TECH. L.J. 147, 162 (2005).

154 See *Imonex*, 408 F.3d at 1377 (willful infringement requires a showing of “egregious conduct”); Read, 970 F.2d at 826 (willful infringement involves “wanton disregard” of the patentee’s rights).

155 See, e.g., *Sensonics, Inc. v. Aeronic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996) (enhanced damages are punitive, not compensatory.).

156 See *Knorr-Bremse*, 383 F.3d at 1348-50 (Dyk, J., concurring and dissenting) (noting that the duty of care puts the burden on defendants and allows willfulness findings even where the defendant has not acted in bad faith).

157 *Id.* at 1351.

Plaintiffs do not need or rely on willfulness damages to be compensated for a defendant's infringement. Plaintiffs are made whole by injunctions, lost profits, reasonable royalties, interest, and other compensatory damages. Damages for willful infringement are not intended to compensate plaintiffs and remedy the harm done by infringement. Damages for willful infringement are designed to protect the patent system by deterring conduct in "wanton disregard" of patentees' rights. This deterrent effect is not accomplished by punishing defendants who do not intend to infringe. The only benefit is to plaintiffs who are enriched with additional monetary awards.

Some might raise the concern that, in the absence of the affirmative duty, a defendant could avoid willful infringement by simply doing nothing. If a plaintiff must offer proof of intent, according to this argument, a defendant without the affirmative duty could simply ignore potentially relevant patents. In practice, however, a rational defendant will not ignore a known and potentially relevant patent. A defendant who learns of a relevant patent will not risk a paralyzing injunction and damages by ignoring the patent. Instead, the defendant will analyze the patent and the risks of infringement. Without the affirmative duty, a defendant could make good faith efforts to become aware of, learn about, and avoid potentially relevant patents without the fear of triggering the duty to obtain opinions and waive the privilege. Eliminating the affirmative duty would therefore give defendants even more incentive to search for and avoid potentially relevant patents.

Eliminating the affirmative duty and effectively shifting the burden of proving intent to plaintiffs will not solve all of the practical problems associated with willfulness. In certain circumstances, the defendant's best defense to a willfulness allegation may still be an opinion of counsel. Nonetheless, requiring the plaintiff to prove intent allows the defendant the flexibility to pursue alternative defenses. The defendant would only need to offer evidence -- such as the testimony of company engineers or employees -- to combat the evidence produced by the plaintiff.

## **B. The Scope of the Waiver of the Attorney-Client Privilege Should be Clear and Limited.**

Even without the affirmative duty, defendants may choose in certain circumstances to rely on an opinion of counsel. In order to make a rational decision when considering whether to do so, defendants must know the likely scope of the resulting waiver of the attorney-client privilege. A limited waiver, under which the plaintiff is entitled to the opinion letter and any communications and documents that form the basis of the opinion, strikes the correct balance between the plaintiff's need to assess the competency of an opinion with the established policy of protecting the attorney-client privilege.

### **(i) A Limited Waiver Balances the Need for a Plaintiff to Assess an Opinion with the Established Policy of Protecting the Attorney-Client Privilege.**

A limited waiver in which only opinions and the bases of opinions are discoverable would allow plaintiffs to assess the legitimacy and competency of opinions without penalizing defendants and disregarding recognized precedent protecting attorney-client communications.

As the Federal Circuit has held, the plaintiff is entitled to an opportunity to evaluate an opinion of counsel and assess whether the defendant's reliance on the opinion is reasonable.<sup>158</sup> Disclosure of the opinion and all communications and documents forming the basis of the opinion serves this purpose. Such a disclosure allows a plaintiff to fully evaluate the merits of the opinion and the defendant's reliance.<sup>159</sup>

158 *Underwater Devices*, 717 F.2d at 1390 (holding that a defendant's reliance on an opinion is only relevant if the opinion is "competent"); *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 104 (S.D.N.Y. 2004) (under the totality of circumstances inquiry, the factfinder must make a determination as to whether the defendant's reliance on the opinion was reasonable) (citing *AKEVA*, 243 F.Supp.2d at 423).

159 *See Cordis*, 980 F.Supp. at 1034 (key factor in determining waiver is whether the information was the factual predicate of the opinion); *Handgards, Inc. v. Johnson & Johnson*, 413 F.Supp. 926, 931 (N.D. Cal. 1976) (scope of waiver must consider plaintiff's need to "ascertain the basis and facts upon which the opinions...are based.").

Disclosure of additional communications, such as documents relating to infringement issues generally, is not strictly necessary for the plaintiff to assess the merits of an opinion, yet it constitutes a significant invasion of the attorney-client privilege. In *Steelcase, Inc. v. Haworth, Inc.*,<sup>160</sup> for example, the court found a waiver that included communications unrelated to the competency of the opinion. The defendant in *Steelcase* relied upon an opinion in defending against willfulness. The plaintiff demanded production of the opinion letter and all communications relating to the subject matter of the opinion. The court recognized that the waiver should be broad enough to allow an assessment of the competency of the opinion.<sup>161</sup> However, the court ordered the defendant to produce the opinion letter and the defendant's correspondence with counsel, even though the correspondence related to patents that were not asserted. The court also compelled the production of communications between the defendant and its attorney relating to the patentability of the defendant's own products.<sup>162</sup> Any benefit to the plaintiff of disclosing such documents is outweighed by the harm done to the attorney-client privilege.

Moreover, even with the affirmative duty eliminated, a broad waiver will place defendants whose best defense to a willfulness charge is an opinion back in the untenable position of having to choose between mounting an effective defense and relinquishing the privilege as to communications that have no bearing on the opinion. Plaintiffs will be encouraged to file willfulness allegations simply to gain access to otherwise undiscoverable documents. *Knorr-Bremse* eliminated the adverse inference in order to eliminate the "risk of liability in disclosures to and from counsel in patent matters."<sup>163</sup> Instituting a limited waiver would accomplish this objective.<sup>164</sup> A waiver limited to opinions and communications forming the basis of opinions allows the plaintiff to effectively evaluate the merits of any opinions while permitting defendants to communicate freely with their attorneys without the fear that privileged discussions will later be used against them.

### (ii) The Limited Waiver is Consistent with Analogous Legal Standards.

Under F.R.C.P. 26, when a party relies on an expert opinion, the opposing party is entitled to receive the opinion, the bases of the opinion, and the data or information considered by the expert.<sup>165</sup> This disclosure allows the opposing party and the fact-finder to determine how the expert arrived at the opinion<sup>166</sup> and to evaluate its credibility.<sup>167</sup> At the same time, by limiting discovery to the materials that the expert considered, Rule 26 establishes a bright-line standard<sup>168</sup> and protects the attorney's ability to confidentially prepare for trial.<sup>169</sup>

The same principles apply with equal force in the willfulness context. Opinion counsel is essentially a legal expert called to offer an opinion on the issues of infringement and/or validity. Defendants who seek such an "expert opinion" should be treated like all other parties who do so. To the extent a defendant attempts to rely on an expert legal opinion as a defense to a willful infringement charge, the defendant should be compelled to produce the opinion, the bases of the opinion, and the materials considered by the expert, but no more.

## CONCLUSION

The Federal Circuit in *Knorr-Bremse* reached the correct decision. The adverse inference unfairly penalized defendants for choosing not to waive the attorney-client privilege. But the elimination of the adverse inference only solved the most serious problem -- many practical problems with pre-*Knorr-Bremse* willfulness doctrine persist. The affirmative duty continues to cause a number of problems, including: imposing the unrealistic expectation that defendants obtain opinions on all

160 954 F.Supp. 1195 (W.D. Mich. 1997).

161 *Id.* at 1198.

162 *Id.* at 1200.

163 *Knorr-Bremse*, 383 F.3d at 1344.

164 Recent district court opinions have recognized that *Knorr-Bremse* supports a limited waiver. See *Collaboration Properties, Inc. v. Polycam, Inc.*, 224 F.R.D. 473, FN4 (N.D. Cal. 2004) (*Knorr-Bremse* supports a limited approach to waiver); *Terra Novo*, 2004 WL 2254559 at \*2 (waiver should be limited in pre-*Knorr-Bremse* cases because "obtaining an opinion of counsel to defend against willfulness was close to compulsory in the pre-*Knorr* timeframe").

165 See F.R.C.P. 26(a)(2)(B).

166 See, e.g., *Lamonds v. General Motors Corp.*, 180 F.R.D. 302, 305-06 (W.D. Va. 1998).

167 See, e.g., *Construction Industry Services Corp. v. Hanover Ins. Co.*, 206 F.R.D. 43, 51 (E.D.N.Y. 2002).

168 See, e.g., *Barna v. U.S.*, 1997 WL 417847 at \*2 (N.D. Ill. 1997).

169 See, e.g., *id.* at 3.



known and potentially relevant patents; forcing defendants to choose between preserving the attorney-client privilege and maintaining an effective defense to willfulness; discouraging defendants from searching for and evaluating potentially relevant patents; punishing conduct that is not egregious; the excessive filing of willful infringement claims; allowing plaintiffs to unfairly obtain confidential and privileged information; and forcing defendants who do choose to rely upon an opinion of counsel to contend with an often unpredictable waiver.

To remedy these lingering problems, the affirmative duty should be eliminated and the scope of the waiver should be clarified and limited. Without the affirmative duty, the burden of proving willfulness, as in most intent-based standards, would be effectively shifted back to plaintiffs. As a result, plaintiffs would be required to come forward with actual evidence of defendants' intent to infringe. If the scope of the waiver is clarified and limited, defendants will be able to make rational decisions with respect to whether to waive the privilege. If a defendant chooses to waive the privilege and rely on an opinion, the plaintiff will receive all of the documents necessary to evaluate the merits of the opinion. These two proposals would therefore alleviate many of the practical problems with willful infringement doctrine and bring willfulness doctrine into line with other analogous areas of the law.

## EPILOGUE

Since this article was written, the Federal Circuit issued an opinion in which it adopted a potentially broad waiver of the attorney-client privilege when a defendant accused of willful infringement relies on advice of counsel. In *In re EchoStar Comm. Corp.*,<sup>170</sup> the Federal Circuit held that the waiver extends to “any attorney-client communications relating to the same subject matter” as the opinion of counsel. Although trial counsel communications were not at issue, some have interpreted *EchoStar* to extend even to communications with trial counsel. The adoption of a broad waiver -- particularly if the waiver is extended to trial counsel -- makes elimination of the affirmative duty even more appropriate.

**A. The Federal Circuit’s *EchoStar* Decision.**

In *In re EchoStar, TiVo, Inc.* (“TiVo”) accused EchoStar Communications Corp. (“EchoStar”) of willful patent infringement. EchoStar had consulted in-house counsel and obtained advice regarding whether it infringed the TiVo patent before the suit was filed. After the initiation of the suit, EchoStar obtained opinions from two separate outside firms acting as opinion counsel. During the litigation, EchoStar attempted to rely on the advice of in-house counsel while not disclosing the opinions from outside opinion counsel.

The district court for the Eastern District of Texas found that EchoStar’s reliance on the advice of in-house counsel resulted in a broad waiver of the attorney-client privilege and work product doctrine. With respect to the attorney-client privilege, the district court held that EchoStar waived the privilege as to all communications with counsel regarding infringement, including communications with in-house counsel *and* opinion counsel.<sup>171</sup> The district court also held that the waiver includes communications “both pre- and post- filing” of the suit. The court stated that communications with counsel regarding the subject matter of the advice are relevant to the willfulness inquiry regardless of when they occurred because the communications “necessarily...go[] to show EchoStar’s state of mind.”<sup>172</sup> With respect to the work-product doctrine, the district court ordered production of all work product regarding the subject matter of the advice, whether or not it was communicated to EchoStar.<sup>173</sup> The district court reasoned that “were discovery of ‘uncommunicated’ materials not allowed, accused infringers could easily shield themselves from disclosing any unfavorable analysis by simply requesting that their opinion counsel not send it.”<sup>174</sup>

On appeal, the Federal Circuit vacated the district court’s holding regarding work product but affirmed its holding regarding the attorney-client privilege. With respect to work product, the Court held that a defendant’s reliance on opinion of counsel does not waive all work product relating to the subject matter of the advice. Instead, it waives protection for work product that has been communicated to the client or that references or describes a communication between the attorney and client.<sup>175</sup> The Court explained that willfulness analyses depend on “the *infringer’s* state of mind,” and work product not communicated to the client does not help a court determine if the defendant knew it was infringing.<sup>176</sup>

With respect to the attorney-client privilege, the Federal Circuit agreed with the district court that the waiver extended to “any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel.”<sup>177</sup> The Court also suggested that EchoStar’s decision to rely on the non-infringement advice of its in-house counsel waived the attorney-client privilege with respect to communications relating to non-infringement *and* EchoStar’s other defenses, such as invalidity and unenforceability:

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170 Misc. Nos. 803, 805 (Fed. Cir. May 1, 2006)

171 See *TiVo, Inc. v. EchoStar Comm. Corp.*, No. 2:04-CV-1, at 13 (E.D. Tex. Sept. 26, 2005).

172 *Id.* at 13.

173 See *TiVo, Inc. v. EchoStar Comm. Corp.*, No. 2:04-CV-1, at 4-5 (E.D. Tex. Oct. 6, 2005).

174 *Id.* at 3.

175 See *In re EchoStar*, Misc. Nos. 803, 805, slip op. at 12-16.

176 *Id.* slip. op. at 14-15 (emphasis in original).

177 *Id.*, slip op. at 7.

Therefore, when an alleged infringer asserts its advice-of-counsel defense regarding willful infringement of a particular patent, it waives its immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, and infringed by the accused.<sup>178</sup>

Finally, the Court agreed with the district court that the attorney-client waiver extended to advice given both before and after the commencement of litigation. The Court stated that “as long as [] ongoing infringement is at issue in the litigation,” the advice an accused infringer receives after litigation begins could be relevant to the issue of willful infringement.<sup>179</sup>

## B. The Scope of the Waiver Following *EchoStar*.

The scope of the waiver following *EchoStar* remains unclear. Some have argued that it extends to *all* communications between trial counsel and client relating in any way to the subject matter of the advice. Others have argued that it should not extend to trial counsel at all. We believe that it would be fundamentally unfair to defendants to extend the waiver to communications with trial counsel.

### (i) The *EchoStar* Opinion Does Not Address the Unique Considerations Associated with the Waiver of the Trial Counsel Privilege.

Courts have recognized a unique relationship between trial counsel and client.<sup>180</sup> As a result, courts have typically applied a different, and more limited, scope of waiver to a client’s communications with trial counsel than to those with opinion counsel.<sup>181</sup> The waiver has typically been extended to trial counsel communications only when: trial counsel is the same as opinion counsel;<sup>182</sup> trial counsel was substantively involved in the preparation of the opinion;<sup>183</sup> or trial counsel has provided the client with opinions inconsistent with those provided by opinion counsel.<sup>184</sup> Courts have been reluctant to extend the waiver to communications between client and trial counsel because such a waiver “would inappropriately chill communications between trial counsel and client and would impair trial counsel’s ability to give the client candid advice regarding the merits of the case.”<sup>185</sup>

The question of whether a waiver extends to litigation counsel puts two important goals in competition: preventing unfairness resulting from the Defendant’s use of the attorney-client privilege as both sword and shield, and preservation of the confidential relationship between client and counsel. *After litigation has commenced, the dangers inherent in invading the confidentiality of the attorney-client privilege are magnified.*<sup>186</sup>

Although the Federal Circuit’s decision in *In re EchoStar* contains language that could be construed as adopting a broad waiver extending to trial counsel communications, trial counsel communications were not at issue in the case. TiVo did not move to compel *EchoStar*’s communications with trial counsel, and neither the district court nor the Federal Circuit ordered *EchoStar* to produce such communications.<sup>187</sup> As a result, the *EchoStar* opinion does not address the unique considerations of the waiver as it applies to trial counsel.

<sup>178</sup> *Id.*, slip op. at 16-17.

<sup>179</sup> *Id.*, slip op. at 13, n. 4.

<sup>180</sup> See, e.g., *Collaboration Prop.*, 224 F.R.D. at 476 (communications between client and trial counsel “lie at the core of what is protected by the attorney-client privilege”).

<sup>181</sup> See, e.g., *Terra Novo*, 2004 WL 2254559 (communications between trial counsel and client are outside of the scope of the waiver); *Douglas Press, Inc. v. Universal Mfg. Co.*, 2003 WL 21361731, at \*3 (N.D. Ill. 2003) (“Based on Universal’s representation that it is not relying on any opinions from [trial counsel] as part of its advice of counsel defense, Universal need not disclose any documents or other materials prepared by the firm.”).

<sup>182</sup> See, e.g., *Novartis*, 206 F.R.D. 396 (waiver of communications with trial counsel where trial counsel is the same as opinion counsel).

<sup>183</sup> See, e.g., *Mosel*, 162 F.Supp.2d 307 (waiver of communications with trial counsel where trial counsel was substantively involved in preparation of opinion).

<sup>184</sup> See, e.g., *VLT, Inc. v. Arsyn Tech., Inc.*, 198 F.Supp.2d 56 (D. Mass. 2002) (waiver of communications with trial counsel includes only communications that are inconsistent with the opinion of counsel). *But see Convolv*, 224 F.R.D. at 103-4 (waiver extends to all attorneys who have communicated with the client regarding the same subject matter of the advice at issue); *AKEVA*, 243 F. Supp.2d at 422-3 (“all opinions received by the client relating to infringement must be revealed”).

<sup>185</sup> *Motoralta, Inc. v. Vusa Techn., Inc.* 2002 WL 1917256 at \*2 (N.D. Ill. 2002); see also *Terra Novo*, 2004 2254559 at \*3 (“After litigation has commenced, the dangers inherent in invading the confidentiality of the attorney-client privilege are magnified.”)

<sup>186</sup> *Terra Novo*, 2004 WL 2254559, at \*3 (emphasis added).

<sup>187</sup> The district court’s only addressed *EchoStar*’s communications with Merchant & Gould, outside opinion counsel. Communications with *EchoStar*’s trial counsel, Morrison & Foerster, were not addressed. See Docket report for *TiVo, Inc. v. EchoStar Communications Corp.*, No. 2:04-CV-1.

**(ii) *EchoStar* Does Not Compel Production of All Communications Between Trial Counsel And Client Relating in Any Way to the Subject Matter of the Advice.**

To the extent that *EchoStar* is read to extend the waiver to trial counsel, it should not be read to compel the production of all communications between trial counsel and client relating in any way to the subject matter of the advice. Both the language and rationale underlying the opinion suggest that only communications rising to the level of an opinion should be included in any such waiver.

In its opinion, the Federal Circuit excluded from the scope of the waiver day-to-day communications regarding the prosecution and strategy of litigation:

By asserting the advice-of-counsel defense to a charge of willful infringement, the accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pillage all of their litigation strategies.<sup>188</sup>

The Court suggested instead that the waiver is limited to communications rising to the level of a “traditional opinion letter.”<sup>189</sup> The Court’s analysis was focused on ensuring that *advice* on the subject matter at issue -- such as traditional opinion letters -- could not be selectively produced:

[S]elective waiver of the privilege may lead to the inequitable result that the waiving party could waive its privilege for *favorable advice* while asserting its privilege on *unfavorable advice*. In such a case, the party uses the attorney-client privilege as both a sword and a shield. To prevent such abuses, we recognize that when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter.<sup>190</sup>

This reading of *EchoStar* is consistent with the underlying rationale of the opinion -- to prevent the selective disclosure of advice regarding liability. Only communications rising to the level of “favorable” and “unfavorable” advice on the ultimate issue of liability are potentially relevant to the defendant’s state of mind. That is, if an attorney gives the defendant an opinion regarding whether the defendant’s activities infringe, that opinion would arguably be relevant to the question of whether the defendant believed its activities were infringing.<sup>191</sup>

Conversely, communications relating only to the prosecution of a litigation -- addressing, for example, what discovery needs to be produced, what arguments will be most effective before a jury, and how arguments should be presented in a brief -- relate to litigation strategy and therefore have virtually no bearing on the defendant’s state of mind with respect to the ultimate issue of liability. A waiver can only be justified, therefore, with respect to communications, such as opinions, that relate to the ultimate question of liability.

The principle underlying the determination of the appropriate scope of waiver is that a litigant should not be able to use the attorney-client privilege as a sword and a shield.<sup>192</sup> That principle is only implicated where a defendant selectively produces favorable and unfavorable advice on the ultimate issue.<sup>193</sup> It is not implicated when the defendant is permitted to preserve the privilege with respect to day-to-day communications regarding the prosecution of a litigation.<sup>194</sup>

<sup>188</sup> *In re EchoStar*, Misc. Nos. 803, 805, slip op. at 13.

<sup>189</sup> *Id.*, slip op. at 12 (“documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter” are within the scope of the waiver (emphasis added)).

<sup>190</sup> *Id.*, slip op. at 9-10 (emphasis added).

<sup>191</sup> *See, e.g., Micron Separations, Inc. v. Pall Corp.*, 159 F.R.D. 361, 363 (D. Mass. 1995) (“Thus, if MSI received an *opinion of counsel* subsequent to Attorney Jacobs’ opinion which contradicted it, i.e., concluded that the product did infringe the Pall patent, and MSI continued to market its product, it can hardly be argued that a finder of fact could not find that its actions after receiving the later opinion constituted willful infringement.”) (emphasis added).

<sup>192</sup> *See, e.g., In re EchoStar*, Misc. Nos. 803, 805, slip op. at 14 (“The overarching goal of waiver in such a case 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>193</sup> *See, e.g., Micron Separations*, 159 F.R.D. at 365 (“A party claiming good faith reliance upon legal advice could produce three opinions of counsel approving conduct at issue in a law suit and withhold a dozen or more expressing grave reservations over its legality. Preservation of privilege in such a case is simply not worth the damage done to the truth.”).

<sup>194</sup> *See Collaboration Prop.*, 224 F.R.D. at 476-7.

Waiver of the attorney-client privilege and work product doctrine in the context [of litigation-related communications] not only strikes at the core of these privileges, but it also seems far afield from the central (though not sole) purpose of the implied waiver doctrine--to ensure as a matter of fairness that the defendant not be permitted to assert reliance on advantageous advice obtained from opinion counsel while shielding from discovery contradictory or adverse information received in connection with that advice.<sup>195</sup>

Even some of the district courts that have previously extended the waiver to trial counsel have explicitly stated that the waiver extends to "opinions."<sup>196</sup>

### (iii) Extending a Broad Waiver to Trial Counsel Communications Would Have Extraordinary and Adverse Consequences.

Extending the waiver to all communications between client and trial counsel that relate in any way to the subject matter of the advice (*e.g.* infringement) would have extraordinary consequences for the adversary system. Defendants would be forced to produce all trial counsel communications leading up to and through trial, including, for example, communications made in preparation of client witnesses. Plaintiffs would be given the unfair advantage of having a roadmap to defendants' litigation and trial strategy.<sup>197</sup> Finally, defendants' ability to communicate with trial counsel would be destroyed. Knowing that all communications with trial counsel relating in any way to the subject matter of advice (*e.g.* infringement) would be discoverable by plaintiffs, defendants would be forced to simply cease all such communications. At least one court has warned that the destruction of confidentiality between client and trial counsel "could threaten basic due process (fairness) values and could dislodge essential underpinnings of the adversary system."<sup>198</sup>

### C. The Adoption of a Broad Waiver Makes Elimination of the Affirmative Duty Even More Appropriate.

The adoption of a broad waiver -- particularly if *EchoStar* is interpreted to extend the waiver to trial counsel communications -- makes the elimination of the affirmative duty even more appropriate.

The broad waiver of the attorney-client privilege is premised on the assumption that the waiver is voluntary. The *EchoStar* Court, for instance, explained that the attorney-client waiver applied "when *EchoStar* chose to rely on the advice of in-house counsel."<sup>199</sup> The Court further stated that the "overarching goal of waiver" is to prevent *selective* disclosure of advice of counsel.<sup>200</sup> As long as defendants have an affirmative duty to show that they are not willfully infringing patents, however, an opinion of counsel may in certain circumstances be the most (or even only) effective defense to a charge of willfulness. In such circumstances, a waiver of the privilege can hardly be considered voluntary.

A broad waiver combined with the affirmative duty would therefore give plaintiffs an extreme strategic advantage in patent litigation. By making an allegation of willfulness, plaintiffs

<sup>195</sup> *Id.* at 477.

<sup>196</sup> *See, e.g., AKEVA*, 243 F.Supp.2d at 422-23 ("Subject matter waiver does not mean all opinions as to all possible defenses, but does mean all opinions of the specific issue of advice asserted as a defense to willfulness, be it infringement, validity, enforcement, or a combination...Therefore, all opinions received by the client relating to infringement must be revealed...") (emphasis added).

<sup>197</sup> *See, e.g., Chimie v. PPG Indus., Inc.*, 218 F.R.D. 416, 420 (D. Del. 2003) (noting the "adversary system's interest in maintaining the privacy of an attorney's thought processes and in ensuring that each side relies on its own wit in preparing their respective cases" (citing *Haines v. Liggett Group, Inc.*, 975 F.2d 81, 94 (3rd Cir. 1992)).

<sup>198</sup> Consistent with this analysis, as of the time of print, two District Courts have addressed the scope of the waiver after *EchoStar*. The District Court for the District of Delaware rejected the argument that *EchoStar* effected a wholesale waiver of trial counsel attorney-client privilege. The Court found that: (1) *EchoStar* was aimed primarily at the work product doctrine and only dealt with the attorney-client privilege in general terms; (2) *EchoStar* was focused on "opinions," not everyday communications; and (3) *EchoStar* did not even address the issue of communications with trial counsel. The Court explained that a clearer statement from the Federal Circuit is needed before the attorney-client privilege is "demolished." *See Ampex Corp. v. Eastman Kodak Co. et al.*, 1:04-CV-01373-KAJ (D. Del., July 17, 2006). Similarly, the District Court for the Southern District of Indiana found that there was no indication that *EchoStar* intended to extend the waiver to communications with trial counsel. "In fact," the Court stated, "that issue was not before the [*EchoStar*] Court." *See Indiana Mills & Mfg., Inc. v. Dorel Indus., Inc.*, No 1:04 CV-01102-LJM-WTL, at \*7 (S.D. Ind., May 25, 2006).

<sup>199</sup> *See In re EchoStar*, Misc. Nos. 803, 805, slip op. at 7 (emphasis added).

<sup>200</sup> *See id.*, slip op. at 14.

would be able to force a defendant to choose between its most effective defense to the willfulness charge *or* producing to plaintiffs all communications relating to infringement trial strategy. In effect, this would eliminate advice of counsel as a viable defense to willfulness.

Fear of conferring such an advantage on an opponent might lead defendants to conclude that the risks that accompany an invocation of the advice of counsel defense exceed the risks of not invoking that defense. Thus, courts that insisted in *imposing very broad waivers would risk forcing defendants to choose between two potentially significant unfairnesses: (1) losing the confidentiality of the relationship with trial counsel that her opponent (often a competitor) 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>201</sup>

Put differently, a broad waiver combined with the affirmative duty would worsen the already significant dilemma confronting defendants accused of willful infringement.

Elimination of the affirmative duty will resolve many of the problems associated with willfulness doctrine identified above. Because a broad waiver is premised on waiver being voluntary, the adoption of a broad waiver of the attorney-client privilege makes the elimination of the affirmative duty even more appropriate.

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201 *Sharper Image*, 222 F.R.D. at 636-7 (emphasis added).