

INTELLECTUAL PROPERTY

THE SEAGATE CONUNDRUM: RISKS AND REWARDS OF RAISING THE DEFENSE OF “ADVICE OF COUNSEL” TO A CHARGE OF WILLFUL PATENT INFRINGEMENT

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Imagine that your company manufactures or sells a product in the United States, in competition with other companies that have patents on some or all of their products. Aware that your competitors have patent portfolios, your company retains outside counsel to investigate and advise whether the new product is likely to infringe any of the competitors’ patents in the relevant field of art. Assume your counsel investigates diligently, then gives you a competent written legal opinion, stating that your company’s product does not infringe upon the competitors’ patents; or, alternatively, that those patents are invalid. Your counsel opines that at least one of the patents is unenforceable, based on the competitor having intentionally concealed known prior art from the patent office. Your company then introduces its product in the United States—and, of course, is promptly sued. In addition to asserting infringement, the competitor alleges that your company’s infringement is willful and consequently asks for treble damages. Should your company produce in discovery and disclose to the jury at trial the opinions of its counsel to show that it reasonably believed either that the product did not infringe or that the patent was invalid or unenforceable? The answer may well depend on the Federal Circuit’s resolution of what the authors have come to think of as “the Seagate Conundrum.”¹

Seagate Technology, Inc. is a defendant in *Convolve, Inc. v. Compaq Computer Corp.*, a patent infringement suit currently pending in the United States District Court for the Southern District of New York.² In *Convolve*, Seagate is accused of willfully infringing two of three patents related to computer disk drive technology owned by Convolve, Inc. and the Massachusetts Institute of Technology.³

SEAGATE’S OUTSIDE OPINION COUNSEL

Two months before being sued, Seagate had retained an outside lawyer as “opinion counsel” to advise it concerning the first two patents and, eleven days after being sued, received a preliminary written opinion dated July 24, 2000, that Seagate did not infringe those patents or that the patents were invalid. Opinion counsel also offered preliminary observations on a then-pending application for a third patent. Five months later, Seagate received a final written opinion confirming the preliminary conclusions concerning the first two patents and opining that the second patent (since dropped from the suit) may be unenforceable for inequitable conduct. In March 2002, Seagate requested a formal opinion on the third patent, which by then had issued and been added to the suit, and on February

21, 2003 Seagate received a formal, written opinion of the third patent’s non-infringement and invalidity as well.

SEAGATE’S OUTSIDE TRIAL COUNSEL

Once sued, Seagate retained separate outside counsel to represent it in the *Convolve* litigation. Seagate’s trial and opinion counsel purportedly operated independently and did not communicate with each other concerning their respective advice to Seagate. Seagate also reportedly sought and received opinions regarding infringement, validity, or enforceability of the patents in suit solely from its opinion counsel, and did not ask its trial counsel to opine on the merits of its opinion counsel’s advice.⁴

Seagate’s trial counsel then informed Convolve and MIT that Seagate intended to rely, in defense of the willful infringement claims, on its opinion counsel’s three written opinions. Seagate therefore disclosed those opinions in discovery, made its outside opinion counsel available for deposition, produced all related correspondence and work product from its outside opinion counsel’s files, and produced from its own files copies of communications with its outside opinion counsel.

DISCOVERY SOUGHT FROM TRIAL COUNSEL AND SUBSEQUENT PROCEEDINGS

In addition, plaintiffs sought discovery of all internal Seagate communications with attorneys, and attorney work product, on the same subjects as those formal opinions, together with all documents forming the basis of those opinions and documents reflecting when Seagate and its counsel communicated orally on those subjects. Claiming attorney-client privilege and work product protection, Seagate refused to produce the requested information, and plaintiffs moved to compel its production.

Following oral argument, the assigned magistrate judge found that, by producing its outside opinion counsel’s three written opinions, Seagate had waived the otherwise applicable attorney-client privilege with respect to all communications between Seagate and its trial counsel concerning the general subject matter of opinions Seagate had obtained from its opinion counsel.⁵ The court further found that Seagate’s privilege waiver “continues to such time as Seagate’s alleged infringement ends;” in other words, until the case is resolved.⁶ Recognizing that trial counsel might address trial strategy “in ways that do not implicate the advice-of-counsel defense,” the magistrate judge provided for in camera submission of documents relating to trial strategy or planning advice regarding validity, infringement, and enforceability.⁷ Nonetheless, the magistrate judge ordered that trial counsel’s *advice* on these three subjects be disclosed even if communicated in the context of trial preparation.⁸

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Seagate objected to the magistrate judge's orders under Fed. R. Civ. P. 72(a), requested a stay of both orders pending possible mandamus review by the Federal Circuit, and applied to the district judge for an emergency stay of the magistrate judge's orders—all without success. Seagate then asked the district court, also unsuccessfully, to certify the rulings for interlocutory appeal under 28 U.S.C. § 1292(b). When the magistrate judge subsequently ordered Seagate to comply with the court's orders within five business days, Seagate petitioned for a writ of mandamus.

THE SEAGATE CONUNDRUM

Seagate currently finds itself between the proverbial rock and hard place. On the one hand, Seagate has a duty under long-standing Federal Circuit law to exercise due care to avoid infringement by, for example, obtaining competent opinion of counsel that the patents involved are invalid, unenforceable, or not infringed. But under a recent Federal Circuit en banc decision, the trier of fact could not make an adverse inference if Seagate had failed to obtain or disclose an opinion of counsel concerning infringement, validity or enforceability. Because Seagate has obtained and disclosed opinions of counsel that the patents in suit are invalid, unenforceable or not infringed, however, under another recent Federal Circuit case Seagate may have lost its ability to communicate confidentially with its trial counsel on these issues.

BACKGROUND OF WILLFUL PATENT INFRINGEMENT

Section 284 of the patent statute provides in part that, “[w]hen the damages are not found by a jury, the court shall assess them,” and that “[i]n either event the court may increase the damages up to three times the amount found or assessed.”⁹ In addition, in “exceptional cases,” the court may award reasonable attorney fees to the prevailing party.¹⁰ Many patent plaintiffs therefore allege willful infringement in hope of receiving up to treble damages at trial.¹¹ In practice, however, willfulness is found in barely half the cases in which it is pleaded,¹² and the court's decision to award enhanced damages—even if willfulness is found—is discretionary, subject to reversal only for abuse of that discretion.¹³ Among all cases considered in a recent study in which willfulness was ultimately resolved (including cases in which no willfulness was found), enhanced damages were ultimately awarded only about a third of the time.¹⁴ In addition, unless willfulness is bifurcated from liability, defendants have an opportunity to present evidence of due care before the jury decides liability for infringement.¹⁵ A persuasive opinion of counsel, coupled with the testimony of a credible and persuasive attorney, may help a defendant avoid both a finding of willfulness and a finding of liability altogether. By asserting a willfulness claim, therefore, a plaintiff may actually weaken its liability case. On the other hand, the Seagate conundrum demonstrates that pleading willful infringement presents great difficulties for defendants as well.

Underwater Devices Inc. v. Morrison-Knudsen Co.

In *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), the Federal Circuit announced that potential infringers with actual notice of another's patent

have an affirmative obligation to obtain a competent opinion of counsel:

[W]here, as here, a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.¹⁶

Underwater Devices then upheld a finding of willfulness—and an award of treble damages—based on defendant's failure to obtain *competent* legal advice, finding that the opinions offered as a defense in that case “clearly demonstrated... willful disregard for the patents [in suit].”¹⁷

Three years later, in *Kloster Speedsteel AB v. Crucible Inc.*, the Federal Circuit cautioned that “not every failure to seek an opinion of competent counsel will mandate an ultimate finding of willfulness.”¹⁸ But *Kloster* found that the lower court's failure to find willful infringement was clearly erroneous, in part by drawing an adverse inference because the defendant had remained silent regarding advice of counsel based upon “alleged reliance on the attorney client privilege.”¹⁹ And because the Federal Circuit remanded *Kloster* to the lower court to address enhanced damages, as of 1986, accused defendants aware of plaintiff's patents who did not seek competent advice of counsel remained clearly at risk. Ten years later, in *Stryker Corp. v. Intermedics Orthopedics, Inc.*, the Federal Circuit reiterated that in considering willfulness, a court should consider “whether the infringer, when it 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.”²⁰

In light of *Underwater Devices* and its progeny, therefore, the most obvious way for an accused infringer to demonstrate that it investigated the scope of the patent and formed the required good faith belief is to obtain and to disclose a competent opinion of counsel. But what happens if the accused infringer does not obtain such an opinion, or obtains such an opinion but chooses not to disclose it? Until 2004, the Federal Circuit continued to permit an adverse inference based on the failure to produce an opinion.

*Knorr-Bremse Systeme Fuer
Nutzfahrzeuge GmbH v. Dana Corp.*

In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, however, the Federal Circuit affirmed a patent defendant's right to rely on opinions of counsel as a defense to willfulness, but overruled “precedent authorizing an adverse inference” where an infringer:²¹

- (1) asserts attorney-client or work product privilege to justify a failure to produce an exculpatory opinion; or
- (2) never obtained legal advice regarding infringement.

In part, *Knorr-Bremse* stated that it was attempting to remove “inappropriate burdens on the attorney-client relationship” and thereby allow more flexibility in a patent defendant's ability to rely on its legal advice.²² At the same time, *Knorr-Bremse* reaffirmed that defendants have “an affirmative

duty of due care to avoid the infringement of the known patent rights of others”²³ and that determining willfulness may include several factors to be “weighed by the trier of fact.”²⁴ In keeping with its broad-based “totality of the circumstances” test, *Knorr-Bremse* also held that even having a “substantial” defense to infringement will not necessarily avoid a finding of willful infringement.²⁵ But, independent of an adverse inference instruction, *Knorr-Bremse* expressly declined to consider whether a jury can or should be told whether a defendant has consulted with counsel.²⁶

By removing an adverse inference of willfulness, *Knorr-Bremse* eliminated a powerful incentive to obtain opinion letters. But how can one square *Knorr-Bremse* with *Underwater Devices*, or even with itself? If an accused infringer has an affirmative duty to seek a “competent” opinion of counsel, then why should a jury not be instructed whether a defendant has complied with that duty?

Cases after *Knorr-Bremse* suggest the analytical difficulty in ignoring an infringer’s failure to seek competent advice, and offering an incompetent opinion may leave defendants more vulnerable than having no opinion at all.²⁷ Indeed, on remand in *Knorr-Bremse* itself the district court found that the defendants had willfully infringed.²⁸ Another district court emphasized that *Knorr-Bremse* “did not say that it was improper for a jury to infer from an infringer’s failure to consult counsel that the infringer... had not acted properly in other respects.”²⁹ And, in an unpublished decision, the Federal Circuit recently permitted instructing a jury to consider whether counsel had been consulted; the jury then found willfulness.³⁰

Because *Knorr-Bremse* recognized the relevance of attorney-client communications and noted that “[a] defendant may of course choose to waive the privilege,” it may be that the Federal Circuit simply thought that a freer choice, not burdened by an adverse inference, would limit defendants’ use to *bona fide* opinions.³¹ In its recent *Echostar* decision, the Federal Circuit may have eliminated the use of “window dressing” opinions by reducing the incentive to use opinion letters at all.

In Re Echostar Comm’n Corp.

In *In Re Echostar Communications Corp.*, the Federal Circuit decided that relying on the defense of advice of counsel to a charge of willful infringement waives the attorney-client privilege regarding all attorney-client communications concerning the same “subject matter.”³² District courts have been wrestling with the precise implications of the ruling ever since, with sometimes inconsistent and unsatisfying results. What constitutes the “same subject matter”? Need an attorney explicitly address validity or unenforceability in order for the waiver to encompass those topics? (After all, an invalid or unenforceable patent cannot be successfully asserted against an alleged infringer.) Does the waiver extend to trial counsel as well? If so, then does it encompass litigation work product as well?

1. “Same Subject Matter”

As to what constitutes the same “subject matter,” *Echostar* stated broadly that an accused infringer’s assertion of advice of counsel as a defense to a charge of willful infringement waives

the attorney-client privilege for all communications with the accused infringer’s counsel that discuss the infringement, validity, and/or enforceability of the patent in suit:

[W]hen 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.³³

Because issues of infringement, validity, and unenforceability are fundamentally intertwined with both a court’s claim construction (a question of law subject to change on appeal) and the understanding of one of ordinary skill in the art (a question of fact subject to change as discovery proceeds), the reasonableness of a continuing infringer’s reliance on an opinion of counsel is also subject to change. In addition, any differences between a “reliance opinion” and a claim construction, the scope of prior art considered, or the understanding of one of ordinary skill in the art can implicate the defenses of validity and unenforceability, even if the “reliance opinion” is limited to the issue of infringement. In keeping with *Echostar*’s principles, many courts have found that all three issues—infringement, validity, and enforceability—are necessarily of a piece when it comes to examining the infringer’s state of mind, and all are encompassed by the waiver.³⁴

2. Waiver of Trial Counsel Communications

As *Echostar* explains, the focus in deciding willful infringement is the accused infringer’s state of mind.³⁵ Where the alleged infringement continues after suit is filed, one can reasonably expect the infringer’s state of mind to be based on both oral and written communications with trial counsel throughout the litigation.³⁶ As a matter of fairness, then, an accused infringer should not be permitted to defend itself with a favorable opinion obtained from opinion counsel, but then hide from view less favorable or inconsistent opinions or advice it receives from its trial counsel as the litigation proceeds.

Suppose, for example, that opinion counsel in good faith provides a competent pre-litigation opinion that the accused device does not infringe any claims of the patent. That opinion, however, assumes a favorable *Markman* claims construction, and the trial court subsequently construes disputed claims unfavorably. Already in litigation, the accused infringer does not seek supplemental advice from outside opinion counsel but relies instead upon its trial counsel. Assume further that trial counsel reports that the unfavorable claims construction makes a finding of infringement likely but strengthens the invalidity defense, and the accused infringer therefore decides to press on. Why is the advice on which the defendant decides to continue not relevant to whether infringement, if found, is willful, at least from the court’s claim construction forward?

Echostar generally supports this view: “once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of alleged infringement.”³⁷ Thus, where the “course of the alleged infringement” is ongoing, as claimed in *Convolve*, many district courts have applied the waiver to communications with trial counsel as well.³⁸

Disclosure of trial counsel's advice presents a significant and related practical problem: calling trial counsel as a witness at trial. Such testimony is disfavored because it can prejudice opposing parties and create conflicts with clients.³⁹ Thus, disclosing trial counsel's advice may raise additional difficult questions regarding its use at trial, depending on what it reveals and which party seeks to use it. Plaintiffs can reasonably argue that even if not appropriate at trial, such evidence is likely to lead to the discovery of admissible evidence, particularly testimony, from defendants. Defendants might well respond that if trial counsel advice is referenced in any manner at trial, then trial counsel should be permitted to testify notwithstanding the traditional concerns regarding the propriety of such testimony.

3. Work Product Inclusion

Finally, by including documents or opinions that "embod[y] or discuss a communication" between attorney and client, *Echostar* extended the waiver to work product as well. Specifically, *Echostar* found that a party that waives the attorney-client privilege by relying on the defense of advice of counsel to a charge of willful infringement must produce all applicable work product documents (1) that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client, but not (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client.⁴⁰

Convolve, Inc. v. Compaq Computer Corp.

In light of *Underwater Devices, Knorr-Bremse* and *Echostar*, the Federal Circuit on January 26, 2007, invited the parties to *Convolve* to address three questions on Seagate's petition for writ of mandamus:

- (1) Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel?⁴¹
- (2) What is the effect of any such waiver on work-product immunity?
- (3) Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudsen Co.*,⁴² on the issue of waiver of attorney-client privilege, should this court reconsider the decision in *Underwater Devices* and the duty of care standard itself?

Seagate Question (1):

Should Waiver Extend to Trial Counsel?

In response to the Federal Circuit's first question, Seagate of course insists that the answer is no. In its March 12, 2007, en banc brief, Seagate argues that some district courts have "misread" *Echostar* as establishing a new "general" rule in patent cases that extends the scope of the attorney-client privilege waiver to all communications on the same subject as

the opinion of counsel, including trial counsel. Seagate further asks that the Federal Circuit "affirmatively hold" that the scope of waiver does not extend to communications with trial counsel "where opinion counsel and trial counsel are separate and independent."

After observing that the attorney-client privilege is at the "very heart" of the American adversarial system of justice and that the scope of privilege waiver is generally limited by fairness concerns, Seagate first argues that the "general rule" is that waiver covers only communications with the same attorney(s) concerning the same subject matter discussed in the waived communications. Seagate argues next that extending the *Echostar* waiver to independent trial counsel contravenes the Federal Circuit's attempt in *Knorr-Bremse* to remove "inappropriate burdens on the attorney-client relationship."⁴³ Third, Seagate in effect says that drawing a bright line at communications with trial counsel would provide a simple and clear standard.

Seagate's first argument is one of fairness. Privilege waiver is driven by its purpose, Seagate argues: the prevention of abuse resulting from selectively disclosing favorable advice while refusing to disclose unfavorable advice. If a defendant has kept its opinion and trial counsel separate and has asked for opinions on only certain subjects, in fairness to the defendant the waiver should not extend beyond those communications with that counsel on those subjects. Seagate's proposed distinction, however, does not guard against the defendant whose opinion counsel gives it a clean bill of health but whose trial counsel, especially post-*Markman* or post-design around, does not. Fairness to both parties does not argue for protecting attorney-client communications with trial counsel in all cases on its face, and *Echostar* makes no reference to the status of counsel giving the advice: "Under the analysis in *Echostar* it is immaterial whether [a defendant's] opinion counsel and trial counsel are from the same firm, different firms or are even the same person."⁴⁴

Seagate's second argument is harder to refute. In refusing to draw an adverse inference from failure to obtain or produce an opinion of counsel, *Knorr-Bremse* did express concern with "special rules" for patent litigants that unduly burden the attorney-client privilege and distort the attorney-client relationship.⁴⁵ Requiring a patent defendant to share with opposing counsel throughout the litigation its communications with its own counsel concerning infringement, validity, and enforceability surely is a "special rule" that "unduly burden[s] the attorney-client privilege" and "distort[s] the attorney-client relationship." Yet *Knorr-Bremse* addressed waiver simply by stating that "[a] defendant may of course choose to waive the privilege..." suggesting that removing the adverse inference solved defendants' problem.⁴⁶ Taken together with *Echostar*, *Knorr-Bremse* discourages patent defendants from seeking advice, because either it is not needed to avoid an adverse influence or it proves too perilous to use.⁴⁷

Finally, as a practical matter, Seagate's third argument has merit. In this area, as in others, both plaintiffs and defendants need clarity, although the bright line test that Seagate suggests—that waiver not extend to counsel who are separate

and independent from opinion counsel—is less simple to enforce than to state. Litigation counsel would, of course, need to see the opinions of counsel to produce them in discovery, and would need to read and understand them in order to represent litigation clients properly. Although litigation counsel could obtain the opinions from the client directly, would litigation counsel then need to refrain from talking to opinion counsel—or the client—regarding these opinions in order to remain “separate and independent”? If so, then who would represent opinion counsel at their depositions—yet another set of counsel? How would the additional counsel communicate with the client or with litigation counsel? And if litigation counsel agree with opinion counsel, then does that make them less “separate and independent”? If the Federal Circuit goes this route, then it has much clarification to do.

Seagate’s position would finesse these problems by effectively redefining the standard from a subjective to an objective one: rather than asking whether defendants acted reasonably in light of *all* advice actually received, the question would become whether defendants received *any* advice on which a reasonable defendant could rely.⁴⁸ Thus, Seagate’s proposed separation of trial and opinion counsel would not eliminate all “sword and shield” concerns, but would merely ignore some.⁴⁹

Seagate Question (2):

What is the Effect of Waiver on Work Product?

Seagate gives the second question short shrift, simply asserting that, “[a]s there should be no waiver of the attorney-client privilege to communications with separate and independent trial counsel, there likewise should be no waiver of the work-product immunity for trial counsel.” But indeed work product protection should rise or fall with attorney-client communications, and if the Federal Circuit in *Seagate* “clarifies” that the waiver extends to communications with trial counsel, then *Echostar* has it right: the waiver should also extend to work product that embodies or reflects the communication; i.e., *Echostar* categories (1) and (3).

Once again, however, Seagate’s solution begs the question: what constitutes “separate and independent” trial counsel? Suppose that trial counsel communicates to the client as part of a litigation risk analysis a work-product memorandum concluding that opinion counsel’s pre-litigation advice is flawed? Or, suppose litigation counsel uses opinion counsel’s opinion as the basis for its litigation strategy? Is the work product memorandum now producible on the grounds that it is not “separate and independent”? The practicalities of litigation again present practical difficulties.

Seagate Question (3):

Should the Federal Circuit Reconsider the Duty of Care?

The answer to this question is self-evidently yes. What is less clear is what the resulting standard should be. Seagate argues that *Underwater Devices* turns upside-down both the patentee’s burden to prove willful infringement by clear and convincing evidence,⁵⁰ and the Supreme Court’s admonition

in other areas that punitive damages be awarded only for reprehensible conduct.⁵¹ If, as Seagate asserts, Judge Dyk is correct in *Knorr-Bremse* that “mere failure to engage in due care is not itself reprehensible conduct,” then enhanced patent litigation damages—if they are considered punitive—should never be awarded for “mere failure to engage in due care.”⁵²

On the other hand, what can “willful” infringement mean but a deliberate disregard of the patentee’s rights after learning of the patent? Perhaps *Underwater Devices*, by creating an affirmative duty, tips the scales too much. But if patents are to mean anything, should we really encourage defendants to stick their heads in the sand and not investigate the possibility of their infringement? Perhaps. The situation is akin to that of the patent applicant’s obligation to disclose to the Patent Office known prior art, but not to undertake a search for possibly applicable prior art about which it does not know. Failure to disclose the former can constitute inequitable conduct, but failure to do the latter does not. Even so, many applicants search for prior art before applying for patents, in order to minimize the risk of later invalidity. Even in the absence of the prospect of willful infringement, potential infringers have an incentive to learn of others’ patents and to design around them, both to improve their products and to avoid potential liability for infringement.

CONCLUSION

At bottom, Seagate’s petition presents policy questions, perhaps better left to Congress than the courts. The Federal Circuit certainly has its work cut out for it, but the recent history of *Knorr-Bremse* and *Echostar* suggests that the Court is not likely to resolve many of the issues leading to current criticism.

Endnotes

1 Although we have entitled this article “The *Seagate* Conundrum,” the issues raised are not new. In 1991, the Federal Circuit recognized the dilemma defendants face when choosing whether to assert an advice of counsel defense or to maintain attorney-client privilege, and encouraged trial courts to consider the potential impact on attorney-client privilege when deciding whether to bifurcate willfulness from infringement; trial courts have since characterized this situation as the “*Quantum* Dilemma.” *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643-644 (Fed. Cir. 1991). See, e.g., *Kos Pharmaceuticals, Inc. v. Barr Labs., Inc.*, 218 F.R.D. 387, 393 (S.D.N.Y. 2003) (noting dilemma but refusing to bifurcate). More recently, district courts have suggested that *Knorr-Bremse*, discussed below in the text, diminishes the *Quantum* Dilemma. See, e.g., *Trading Technologies Int’l, Inc. v. Espeed, Inc.*, 431 F. Supp. 2d 834, 837-839 (N.D. Ill. 2006).

2 No. 1:00-cv-05141-GBD-JCF (“*Convolve*”).

3 On July 13, 2000, *Convolve, Inc.* and MIT sued Seagate and Compaq Computer Corporation for allegedly infringing two patents, U.S. Patent Nos. 4,916,635 (“the ‘635 Patent”) and 5,638,267 (“the ‘267 Patent”). Both plaintiffs later dropped the ‘267 Patent from the suit. On January 25, 2002, plaintiffs added a new patent, U.S. Patent No. 6,314,473 (“the ‘473 Patent”), which issued to *Convolve, Inc.* in November 2001. The amended complaint alleges willful patent infringement and seeks treble damages under 35 U.S.C. § 284.

4 Seagate asserts that it never received any advice from its trial counsel on the merits of opinion counsel’s advice, but Seagate cannot reasonably claim it does not rely on trial counsel’s independent advice because Seagate

seeks mandamus relief precisely to protect its ability to receive such advice confidentially. (See Seagate Petition at 16.)

5 *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 104-105 (S.D.N.Y. 2004).

6 *Id.* at 105.

7 *Id.*

8 *Id.*

9 35 U.S.C. § 284, ¶2.

10 35 U.S.C. § 285.

11 See, e.g., Ira V. Heffan, *Willful Patent Infringement*, 7 FED. CIR. B.J. 115, 154 (1997); Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 230-231 (2004) (willful infringement alleged in 92.3% of original complaints, involving 92.8% of patents in suit, in 1721 patent infringement complaints studied from 1999-2000).

12 In some recent empirical studies, willfulness was found in just 60.4% of the bench trials and in 56.0% of the jury trials in which it had been pleaded. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 236 (2004).

13 *Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1370, 1373 (Fed. Cir. 2004). The Federal Circuit considers the following (non-exclusive) factors when addressing a claim of willfulness and whether increased damages are warranted: (1) whether the infringer deliberately copied the ideas or design of another; (2) 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 infringing; (3) the infringer's behavior as a party to the litigation. (4) Defendant's size and financial condition. (5) Closeness of the case. (6) Duration of defendant's misconduct. (7) Remedial action by the defendant (8) Defendant's motivation for harm (9) Whether defendant attempted to conceal its misconduct. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-827 (Fed. Cir. 1992) (internal citations omitted). The relevance of each factor depends on a very fact specific "totality of the circumstances" test. *Id.*

14 Judges in the 1721 cases examined in the Moore study awarded enhanced damages in just 55.7% of all cases in which willfulness was found and in only 36.8% of jury cases; because willfulness is not found in all cases, the resulting percentage of cases in which enhanced damages were awarded was just 32.0%. Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 236 (2004); see also, e.g., JOHN SKENYON, ET AL., *PATENT DAMAGES LAW & PRACTICE*, Appendix B (1999); Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365 (2000); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001).

15 *Cf. Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 618, 625 (N.D. Ill. 2000) (denying defendant's request to bifurcate issues of willfulness and infringement).

16 717 F.2d at 1389-1390 (emphasis in original) (citations omitted).

17 *Id.* at 1390.

18 793 F.2d 1565, 1579 (Fed. Cir. 1986).

19 *Id.* at 1580.

20 96 F.3d 1409, 1414 (Fed. Cir. 1996).

21 383 F.3d 1337, 1343-1344 (Fed. Cir. 2004) (*en banc*).

22 *Id.* at 1343.

23 383 F.3d at 1345 (citation omitted).

24 *Id.* at 1342-1343.

25 *Id.* at 1347.

26 *Id.* at 1346-1347.

27 *Liquid Dynamics Corp. v. Vaughn Co., Inc.*, 449 F.3d 1209, 1226 (Fed. Cir. 2006) (jury may discount opinion based on incomplete information); *nCube Corp. v. Seachange Int'l, Inc.*, 436 F.3d 1317, 1324 (Fed. Cir. 2006)(same); *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1368-1369 (Fed. Cir. 2006) (improper to infer that a competent opinion would have been unfavorable, but not improper to consider incompetent opinions to support finding of willfulness); see also, *Applied Medical Resources Corp. v. United States Surgical Corp.*, 435 F.3d 1356, 1365 (Fed. Cir. 2006) (evidence that defendant did not rely on opinion letter supports willfulness finding); *Imonex Services, Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374, 1377-1378 (Fed. Cir. 2005) (early receipt of opinion of counsel would have strengthened willfulness defense; though delay did not permit adverse inference, jury had substantial evidence supporting willfulness); *IMX, Inc. v. Lendingtree, LLC*, 469 F. Supp. 2d 203, 220-221 (D. Del. 2007) (delay in seeking infringement opinion supported finding of willfulness).

28 *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 372 F. Supp. 2d 833, 846-847 (E.D. Va. 2005).

29 *Third Wave Technologies, Inc. v. Stratagene Corp.*, 405 F. Supp. 2d 991, 1016-1017 (W.D. Wis. 2005).

30 *Engineered Products Co. v. Donaldson Co., Inc.*, 147 Fed. Appx. 979, 991 (Fed. Cir. 2005).

31 383 F.3d at 1345. *Cf. Knorr-Bremse*, 383 F.3d at 1351 (Dyk, J.) (dissenting in part) (duty of care standard has led to "a cottage industry of window-dressing legal opinions by third party counsel designed to protect the real decision making process....").

32 448 F.3d 1294 (Fed. Cir. 2006).

33 *Echostar*, 448 F.3d at 1304.

34 In *Computer Associates Int'l, Inc. v. Simple.com, Inc.*, the court granted the patent holder's motion to compel in its entirety, notwithstanding that the subject matter of the opinion at issue was limited to validity, No. 02 C 2748, 2006 WL 3050883 at *1 (Slip copy) (E.D.N.Y. Oct. 23, 2006); see also, *Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 356 (D. Del. 2006) (advice of counsel waiver extends to any defense to infringement); *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F. Supp. 2d 46, 51 (D.D.C. 2006) (subject matter waiver scope includes infringement, waiver, and enforceability). *But see Autobyte, Inc. v. Dealix Corp.*, 455 F. Supp. 2d 569, 574-575 (E.D. Tex. 2006) (waiver by an accused infringer limited to documents relating to infringement).

35 448 F.3d at 1299, 1303.

36 *Cf., e.g., Genentech, Inc. v. Insmid Incorp.*, 442 F. Supp. 2d 838, 843 n. 4 (N.D. Cal. 2006) ("Had trial counsel claimed that it never provided any comments on the likelihood of success, the Court would be hard pressed to find such testimony credible.")

37 448 F.3d at 1302-03, n.4.

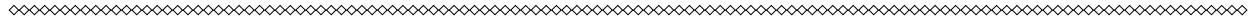
38 See, e.g., *Beck Sys., Inc. v. Managesoft Corp.*, No. 05 C 2036, 2006 WL 2037356, at *5, n.1 (N.D. Ill. July 14, 2006) ("*EchoStar*... indicates that the Federal Circuit would extend this waiver to all attorneys other than those who provided the advice on which the defendant relies, irrespective of whether the other attorneys are trial counsel"); *Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 356 (D. Del. 2006); *Informatica Corp. v. Business Objects Data Integration*, 454 F. Supp. 2d 957, 964-965 (N.D. Cal. 2006).

39 *Culebras Enterprises Corp. v. Rivera-Rios*, 846 F.2d 94, 99 (1st Cir. 1988).

40 *Echostar*, 448 F.3d at 1302-03 (category numbering as in original).

41 See *In Re Echostar Comm'n Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).

42 717 F.2d 1380 (Fed. Cir. 1983),



43 383 F.3d at 1343.

44 *Informatica Corp. v. Business Objects Data Integration*, 454 F. Supp. 2d 957, 965 (N.D. Cal. 2006).

45 383 F.3d at 1343.

46 *Id.* at 1345.

47 Seagate argues that the magistrate judge’s production orders could require disclosure up until and through trial, but unless a case is appealed and remanded for a new trial while infringement continues unabated, the relevance of such communications diminishes as trial approaches. A possible solution is to bifurcate willfulness and compel disclosure only after establishing infringement, but this would of necessity require two trials. Counsel may also protest that this does not diminish the potential chilling of attorney-client communications, but trial counsel communications are subject to discovery in other areas of the law where placed at issue in subsequent litigation.

48 Arguably, the willfulness test in practice, if not in form, is already primarily objective. *See Hall and WBX Partners v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1555 (Fed. Cir. 1996) (test is “whether, under all the circumstances, a reasonable person would prudently conduct himself with any confidence that a court might hold the patent invalid or not infringed” and finding no willfulness based in part on “industry-wide belief in the invalidity of the [asserted] patent (based on widely circulated opinion letters or opinion letter summaries)” (citation omitted)).

49 This approach may give continuing infringers a tool to avoid treble damages, but plaintiffs might still attack a defendant’s failure to update an opinion in light of court rulings or newly disclosed facts.

50 *See, e.g., Crystal Semiconductor Corp. v. Tritech Microelects. Int’l, Inc.*, 246 F.3d 1336, 1346 (Fed. Cir. 2001),

51 *See State Farm Mut. Auto Ins. Co. v. Campbell*, 538 U.S. 408, 419 (2003).

52 *Knorr-Bremse*, 383 F.3d at 1349 (Dyk, J., concurring in part and dissenting in part).

