# Exculpatory Patent Opinions

## Privilege Waiver
## Use in Litigation and Trial

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## *Full Disclosure and Disclaimer*

- What follows is editorial, hopefully with some useful insight drawn from actual litigation experience. It is not legal advice.

- My bottom line opinion: due to several decades of unfocussed jurisprudence in the areas of civil procedure and evidence law, patent opinions have lost their value as a meaningful vehicle for thoughtful and balanced legal advice to clients who deserve just that.

## *What Does a Legal Opinion Prove?*

- 1. The client owes a duty to exercise due care to avoid infringement
- 2. The consequence of failing in that duty is exposure to enhanced damages
- 3. Obtaining legal advice is evidence of the client's good faith, thus reducing the risk of a finding of willful infringement

# Can You Buy Peace of Mind?

- So, at least in theory, the legal opinion is relevant to prove the client's alleged state of mind - - non-willful.

## *How Do Patent Opinions Actually Play Out in Litigation?*

- 1. Patentee’s counsel attempts to force a waiver at early stage of litigation, hoping to obtain accused infringer’s work product and to shoot holes in the opinion
- 2. Accused infringer attempts to delay waiver, and to use the opinion as a substitute for real proof of non-infringement, using the opinion lawyer as a witness and the opinion as a blueprint for the accused infringer’s theory of the case. State of mind is at most secondary.

# *Words of Wisdom*

- "I have bought golden opinions from all sorts of people."
    - Shakespeare, Macbeth, Act I, sc. 7

# *More Words of Wisdom*

- There are as many opinions as there are experts.
  - Franklin D. Roosevelt

# *The Root of the Problem: Patent Opinion as Insurance Policy*

- "Where, 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," including "the duty to seek and obtain competent legal advice before the initiation of any possible infringing activity."
  - *Underwater Devices*, 771 F.2d at 1389-90 (Fed. Cir. 1983)

## *The Opinion Writer's Dilemma After Underwater Devices*

- 1. How can you give an unbiased opinion when the entire premise of the exercise is to avoid a finding of willful infringement?

- 2. Can a competent opinion intentionally avoid analysis of negative facts and law?

## *How Does the Opinion Find Its Way into Court?*

- 1. The accused infringer decides to use Advice of Counsel as an affirmative defense to allegation of willful infringement
- 2. The client thereupon waives privilege which would otherwise attach to the opinion.
- 3. Pandora’s Box is opened.

## *Knorr-Bremse* Mitigated, But Did Not Solve, the Problem

- 1. Defendants obtained advice of both European and US patent counsel, but declined to produce any opinion or to disclose the advice received based on attorney-client privilege.

- 2. Following post-*Underwater Devices* precedent, the District Court held that the assertion of attorney client privilege supported an adverse inference against the client - - i.e., that the opinions were unfavorable

- 3. Based on the totality of circumstances, the District Court found the infringement was willful.

## *Knorr-Bremse*, *383 F.3d 1339 (Fed. Cir. 2004)(en banc)*

- 1. When attorney-client privilege is invoked, the jury may not be instructed to draw an adverse inference that infringement was willful.
- 2. When the defendant has not obtained legal advice, the jury may not be instructed to draw an adverse inference.
- 3. The presence of a "substantial defense" to infringement does not, standing alone, defeat liability for willful infringement.
- 4. The duty of due care remains, and the test of willfulness rests of the "totality of circumstances."

## *What Do We Do Now?*

- 1. *Knorr-Bremse* did not hold that opinions are irrelevant, only that they are not *per se* required to defend willfulness.
- 2. The practical effect of the *en banc* holding ultimately is limited to the contents of jury instructions.
- 3. Otherwise, business as usual.

# *Waiver of Privilege*

- A waiver occurs when the accused infringer discloses in litigation that it will rely on advice of counsel as a defense to willful infringement. Usually, an interrogatory answer, preceded by a privilege log disclosing the existence of the opinion.

# *Waiver Issues*

- 1. Does the waiver go to the entire opinion, or only to portions on which the infringer relies?
- 2. Does the waiver extend to underlying attorney-client communications related to the opinion, and to drafts and other research?
- 3. Does the waiver extend to litigation work product, even if not communicated to the client?

## *The Un-unified Jurisprudence*

- 1. The Federal Circuit has held that this area has sufficient patent law overtones such that its law, not regional circuit law, applies.
- 2. But the Federal Circuit almost never considers discovery issues, and has not issued a comprehensive opinion in this area. Consequence: a broad range of inconsistent rulings in the District Courts, often by Magistrate Judges.
- Thus, your and your clients' fate regarding waiver is largely a matter of forum- and judge shopping and/or luck of the draw.

# *Scope of Waiver*

- Most courts hold that the following are waived:
- 1. The opinion itself
- 2. Pre-litigation communications regarding the opinion and its preparation
- 3. Other pre-litigation opinions on the same subject (can't pick and choose)

## *Scope of Waiver – cont.*

- The courts are divergent on whether the following are waived:
- 1. Portions of the opinion not relied on at trial (e.g., infringement v. validity)
- 2. Opinions obtained after commencement of litigation
- 3. Litigation work product relating to subject of opinion, at least if not communicated to the client.

## *Waiver – Narrow Construction*

- Many courts state that a waiver will be narrowly construed, thus allowing redaction of portions of opinions not relied upon. *Micron v. Pall*, 159 F.R.D. 361 (D.Mass. 1995).

- But do you want the jury to be asking why you wanted to hide the other parts of the opinion?

## *Waiver – Broad Construction*

- Some courts extend waiver to all related issues, specifically where selective waiver is impractical or would be unfair.

- For example, non-infringement and invalidity defenses may invoke inconsistent claim constructions. *Motorola v. Vosi-Techs*, 2002 WL 1917256 (N.D.Ill.2002)

# *Waiver – Trial Counsel and Work Product*

- Because "willful" infringement is to be determined at the time infringement began, waiver may be limited to pre-litigation communications. *Hoover v. Graham*, 44 USPQ 2d 1596 (C.D.Cal.1997);
- But some cases extend waiver into time of litigation, particularly where changed circumstances may affect state of mind as to continuing infringement. *Applied Telematics v. Sprint*, 1995 WL 567436 (E.D.Pa.1995); *Novartis v. Eon Labs*, 206 F.R.D.396 (D.Del. 2002).

# Waiver: Information Not Communicated to Client

- Because information not communicated to the infringer would seem irrelevant to the infringer's state of mind (willful or not), many opinions hold that such information is not within the scope of waiver. However, many other courts disagree, particularly where post-litigation information casts doubt on prior opinion.
  - *Beneficial v. Bank One*, 205 F.R.D.212 (N.D.Ill. 2001).
  - *Thermos v. Starbucks*, 1998 WL 781120 (N.D.Ill. 1998).
  - *Chimie v. PPG*, 218 F.R.D.416 (D.Del. 2003).
  - *Chiron v. Genentech*, 179 F.Supp.2d 1182 (E.D.Cal.2001).

## *What is the Best Way to Get a Handle on This Subject?*

- For a thorough and thoughtful survey of the divergent case law in this area, an excellent starting point is

*K.W Muth Co. v. Bing-Lear Mfg. Group, LL.C*, 219 F.R.D. 554 (E.D.Mich. 2003).

# Issue Spotting/Counseling/Litigation Tactics

- 1. Should opinion counsel (or member of his/her firm) also be litigation counsel? Ethical issues relating to attorney/witness.
- 2. Lead trial counsel should always avoid writing opinion.
- 3. Should a document retention policy be established to assure that misleading notes, drafts, etc., which may call opinion into question, are not maintained?
- 4. Solutions/mitigating procedures in litigation: stay of willfulness discovery; bifurcation of willfulness (discovery, trial). The Federal Circuit has advocated this approach (*Quantum*, 940 F.2d 642 (1991), but it finds little application in the trial courts.
- 5. Use of experts in litigation, such as former PTO officials to opine on the opinion.
- 6. Be careful of conflicts with new or old clients. For an extreme case, read *Andrew Corp. v. Beverly Mfg. Co*, No. 04 C 6214 (N.D.Ill.Feb.16, 2006)(Holderman, J.), where a firm client was precluded from relying on an opinion because a partner later joining the firm had previously represented the adverse party.
- 7.Counsel clients to establish and faithfully follow a corporate policy requiring patent clearances for all new products. The written policy is good evidence of non-willfulness. Then, be sure to follow the policy, so it doesn't backfire at trial.

## Top 5 Ways for the Opinion Writer Truly to Help the Accused Infringer

- 1. Remember who decides willfulness: write an opinion in plain English, geared toward a jury made up of high school students. Start the opinion with an Executive Summary free of legal jargon.

- 2. Simplify. One, or at most two, non-infringement defenses are enough in the opinion. One invalidity defense is enough. Don't make arguments the litigators may not want to.

- 3. Address issues which comport with both the facts and the law, but most importantly with common sense and your client's equities. Always look first for a non-infringement defense which explains why the accused product or method is both different and better than the patentee's. Make your client look like the good guy.

- 4. Avoid highly technical patent law defenses (see #1 above). The litigators can develop such defenses for presentation to the Court via motion. Examples: Sec. 112 defenses such as enablement or written description.

- 5. Don't create a paper trail - - e.g. emails to/ from the client - - which can be used to impeach the opinion, and can open up broad areas for discovery and other mischief.

# Top 5 Ways to Attack an Opinion (or Not)

- 1. Remember that blood does not come from turnips. Do not expect to be able to tear apart an opinion or lawyer-witness in a way the jury will understand. Attack on short, specific points which are tied to your overall theme of the case. Do not waste time or your political capital with judge and jury by fighting battles you can't win.
- 2. Simplify the attack. Look for one key problem - - however small - - and make that the focus for questioning the entire opinion. Does the opinion ultimately fail to address an issue which the introductory legal portions of the opinion say is essential, e.g., claim construction of a key term? Does it ignore important prior art? Did the client (infringer) fail to disclose important information to the opinion writer?
- 3. Ordinarily, try not to blame the victim (the client). Make the opinion writer (the lawyer) the scapegoat. Fight hard to keep the opinion writer from testifying, and then blame the opinion writer for the problem. Variation of the "empty chair" defense.
- 4. Swallow hard, and resist the temptation to call another patent lawyer to rebut the opinion writer. Trial judges hate lawyer witnesses, and juries do not tend to find obviously biased testimony to be persuasive or helpful. Respect, but don't ever estimate, how persuasive the opinion writer is as a witness.
- 5. Closing argument attacking an opinion is usually more effective than evidence.

## *Quiz: in which of these cases did a jury find willful infringement?*

1. Accused infringer has written policy requiring patent clearances and opinion letters for all new products, which is followed for all significant new products. Away from jury, trial judge encourages patentee to dismiss allegations of willful infringement, but patentee declines. Trial judge then allows former Commission of Patents to testify that the opinion is competent, and the client would have been justified in relying.

2. Accused infringer has written policy requiring patent clearances, which is followed in case at hand. There are multiple written opinions over 5 year period of product development and concurrent litigation. Opinion counsel is also litigation counsel. Magistrate Judge orders broad discovery of communications with accused infringer, including communications with litigation counsel, during which candid, balanced discussion of litigation risks is vividly recorded in notes of in house attorney.

3. Accused infringer obtains written opinion of counsel shortly after hiring patentee's dismissed employee and introducing product accused of infringement. Accused infringer obtains summary judgment of non-infringement, but Fed. Cir. reverses on claim construction. At trial, evidence of copying by former employee is admitted. Opinion counsel - - partner of trial counsel - - is permitted to testify at trial regarding non-infringement opinion.

4. Accused infringer has written policy requiring patent clearances. Shortly after meeting patentee about possible license of patented product and process, accused infringer begins R&D of new product substantially similar to patented product, and commissions patent opinion to advise whether patentee's product is bona fide prior art. A draft opinion is written and transmitted to client, but never signed until after litigation commences.