

Misc. Docket No. 830

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE SEAGATE TECHNOLOGY, LLC,

Petitioner.

**On Petition for Writ of Mandamus
to the United States District Court
for the Southern District of New York
Judge George B. Daniels**

**BRIEF OF THE AMERICAN BAR ASSOCIATION
AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER**

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US COURT OF APPEALS
FEDERAL CIRCUIT

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American Bar Association
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N/A
3. All parent corporations and any publicly held companies that own 10% or more of the stock of the parties represented by me are:
None
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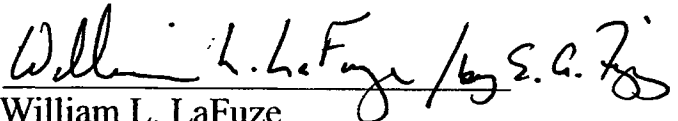

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I. STATEMENT OF INTEREST

The American Bar Association (“ABA”), with over 413,000 members, is the leading national membership organization of the legal profession. Its members come from each of the fifty states, the District of Columbia and the U.S. territories. Membership is voluntary and includes lawyers in private practice, government service, corporate law departments and public interest organizations, as well as legislators, law professors, law students and non-lawyer associates in related fields.¹

The ABA has long championed the importance of protecting the attorney-client relationship.² The tenets of confidentiality and candor are fundamental to the ABA Model Rules of Professional Conduct. As Comment [2] to ABA Model Rule 1.6 states:

A fundamental principle in the client-lawyer relationship is that, in the absence of the client’s informed consent, the lawyer must not reveal information relating to the representation. . . . This contributes to the trust that is the hallmark of the client-lawyer relationship. The client is thereby encouraged to seek legal assistance and to communicate

¹ *Amicus Curiae*, ABA, states that this brief has not been authored in whole or in part by counsel for either party and that no person or entity, other than *Amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief.

² Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

counsel so long as trial counsel is not the same counsel who provided the opinion upon which the accused infringer relies.

1. **A clearly defined limit to the waiver of privilege resulting from assertion of the advice-of-counsel defense is critical to preserve candor between clients and their trial counsel.**

The Supreme Court has long endorsed the primacy of the attorney-client privilege to encourage full and frank communication with counsel. *See, e.g., Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981). “The privilege recognizes that sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer’s being fully informed by the client.” *Id.* at 389. Thus, the purpose of the privilege “is to encourage full and frank communication between attorneys and their clients. . . .” *Id.* Such disclosure is necessary “if the [lawyer’s] professional mission is to be carried out.” *Trammel v. United States*, 445 U.S. 40, 51 (1980).

In *Knorr-Bremse* this court held that the practice of drawing an adverse inference to the invocation of privilege distorts and derogates the attorney-client relationship. *Knorr-Bremse System Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2004) (en banc). There, the court recognized the “general erosion” of privilege that results when parties are forced to choose between being substantively disadvantaged and waiving privilege over an opinion of counsel. *See id.* (quoting *Swidler & Berlin v. United States*, 524 U.S. 399, 410 (1998)). The court opted against continuing a special rule in patent cases that

fully and frankly with the lawyer, including even embarrassing or legally damaging subject matter. The lawyer needs this information to represent the client effectively and, if necessary, to advise the client to refrain from wrongful conduct. Almost without exception, clients come to lawyers in order to determine their rights and what is, in the complex of laws and regulations, deemed to be legal and correct.

This fundamental principle of client-lawyer confidentiality is given effect by the attorney-client privilege and work product doctrine. *See* MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. [3]. Indeed, the ABA has resolved that it:

strongly supports the preservation of the attorney-client privilege and work-product doctrine as essential to maintaining the confidential relationship between client and attorney required to encourage clients to discuss their legal matters fully and candidly with their counsel so as to (1) promote compliance with law through effective counseling, (2) ensure effective advocacy for the client, (3) ensure access to justice and (4) promote the proper and efficient functioning of the American adversary system of justice.³

Pursuant to these policies, the ABA submits this brief in response to the three questions posed in the court's January 26, 2007 order.

II. ARGUMENT

A. The ABA's Response to Question 1

Question 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?

Answer: No, assertion of the advice-of-counsel defense should not waive the attorney-client privilege with respect to communications with trial

³ Recommendation 111 of the ABA House of Delegates (August 2005), http://www.abanet.org/buslaw/attorneyclient/materials/hod/recommendation_adopted.pdf.

created a dilemma for accused infringers and overruled its precedent authorizing such an inference. *Id.* at 1344-45.

Unfortunately, patent litigants continue to be forced into a Hobson's choice that undermines the integrity of the attorney-client relationship. There is little doubt that the advice-of-counsel defense is in practice the most common defense to willful infringement. As one court observed:

While the courts have acknowledged that a considerable number of circumstance-specific factors or circumstances could be probative of whether a defendant's infringement should be deemed "willful," for our purposes what is most significant is the widely shared perception (reinforced by considerable comment in cases) that in the willfulness equation the weightiest single factor often will be whether . . . the defendant sought advice of counsel and received a "competent" opinion either that his product did not infringe or that the patent would be deemed invalid or for some other reason unenforceable.

Sharper Image Corp. v. Honeywell Int'l Inc., 222 F.R.D. 621, 631 (N.D. Cal. 2004). Given the importance of the advice-of-counsel defense, clients often feel compelled to waive privilege regarding an opinion of counsel. But if that waiver is broadly construed to extend to communications with trial counsel – who had nothing to do with rendering the opinion relied on for the defense – then a Hobson's choice arises between candidly communicating with trial counsel and mounting an important, substantive defense. This is no choice at all. The advice-of-counsel defense will still be asserted. Trial counsel will continue to develop their client's defenses and trial strategy to the best of their ability. But candid

communication between client and counsel regarding those defenses and strategies will be discouraged as long as trial counsel is operating under a cloud of uncertainty that results from a possible waiver of the privilege that protects such communications. A clear line between what is privileged and what is not must be drawn.

2. Currently there is no clear line regarding whether and how far the subject matter waiver resulting from reliance on the advice of opinion counsel extends.

Interpretation of the Court's *Echostar* decision and, in particular, the application of subject matter waiver to trial counsel, varies widely from district court to district court. At least one court has adopted a bright-line rule that the waiver resulting from reliance on the advice of opinion counsel does not extend to communications with trial counsel. *Ampex Corp. v. Eastman Kodak Co.*, No. 04-1373, 2006 WL 3050883 (D. Del. July 17, 2006). Other district courts, including the court from which the present mandamus petition arises, have taken the opposite approach. These courts hold that the waiver broadly extends to communications with trial counsel that concern the same subject matter of the opinion on which the accused infringer relies. *See, e.g., Affinion Net Patents, Inc. v. Maritz, Inc.*, 440 F. Supp. 2d 354, 356 (D. Del. 2006); *Informatica Corp. v. Business Objects Data Integration, Inc.*, 454 F. Supp. 2d 957, 965 (N.D. Cal. 2006); *Computer Assocs.*

Int'l, Inc. v. Simple.com, Inc., No. 02 Civ. 2748, 2006 WL 3050883, *4-5 (E.D.NY. Oct. 23, 2006).

Still other courts have adopted various “middle ground” approaches. These approaches vary widely in their articulation and application, but are generally directed to ad hoc distinctions regarding the substance or nature of trial counsel’s communications and work-product. For example, the Northern District of California has held that the waiver extends to trial counsel, but only to those “documents and communications that are most akin to that which opinion counsel normally renders –i.e., documents and communications that contain opinions . . . and advice central and highly material to the ultimate questions of infringement and invalidity (the subject matter of the advice given by . . . opinion counsel).” *Genentech, Inc. v. Insmmed Incorp.*, 442 F. Supp. 2d 838, 847 (N.D. Cal. 2006). Other courts have held that the waiver extends to communications with and the work product of trial counsel, but only to that which “question[s] or contradict[s] in any way the competence or validity of the opinion rendered.” *Intex Recreation Corp. v. Worldwide Corp.*, 439 F. Supp. 2d 46, 52 (D.D.C. 2006).

3. The current uncertainty surrounding the scope of subject matter waiver is harmful to clients.

Litigation, and in particular patent litigation, is highly complex. Clients involved in such litigation must be able to understand those complexities so they can weigh the legal risks and make informed decisions. As such, a lawyer serves

not only as an advocate, but also as a counselor whose candid advice is critical to the client's ability to understand fully both the strengths and the weaknesses of the case.

Trial counsel plays an important role as counselor throughout the course of litigation as further investigations, and the discovery of additional information and evidence, continue to change the balance of the client's case. New facts that could not be anticipated by opinion counsel, but that bear on the subject matter of a written opinion, are often discovered during litigation. It is the job of trial counsel to advise the client about the impact of new discoveries and explain the relative strengths and weaknesses of various defenses as they may change throughout the litigation process.

The ability of trial counsel to advise their clients candidly is impaired by an overly broad waiver of privilege. Rule 2.1 of the ABA Model Rules of Professional Conduct requires that counsel advise their clients candidly as to all risks and strategies in a case. But if the waiver of privilege resulting from reliance on the advice of opinion counsel is held to extend to communications with trial counsel, it becomes dangerous for trial counsel frankly to discuss trial strategies and risks that touch on the general subject matter of opinion counsel's advice, *e.g.*, non-infringement, invalidity, enforceability, etc. For instance, a frank discussion of a potential weakness to a non-infringement position by trial counsel, if

discovered, may be exploited by opposing counsel and misconstrued by the jury as a concession or admission. Thus, trial counsel faces a dilemma between offering candid advice and effective advocacy on the client's behalf.

Moreover, because communications with trial counsel are ongoing, the assertion of an advice-of-counsel defense may encourage clients to adopt a "don't ask, don't tell" approach with trial counsel. Communications with separate opinion counsel generally do not continue as litigation progresses. But the same is not true for trial counsel whose communications must continue, and whose opinions often evolve, through the course of litigation. Faced with the uncertain content of future discussions with trial counsel, the incentive to censor those discussions may be overwhelming to the client. The unfortunate irony created by the current state of the law is that a client may retain both opinion and trial counsel, yet still not fully understand the inherent risks necessary to make informed legal and business decisions.

- 4. A bright-line rule that the waiver of privilege arising from reliance on the advice of opinion counsel does not extend to communications with trial counsel strikes the proper balance and removes the chilling effect created by the current uncertainty regarding the scope of subject matter waiver.**

The ABA supports a bright-line rule that the waiver of attorney-client privilege resulting from assertion of an advice-of-counsel defense to willful infringement does not extend to communications with trial counsel. This rule

protects the integrity of the attorney-client relationship and avoids the chilling effect on communications with trial counsel that may result from the current uncertain application of the court's precedent. Moreover, a bright-line rule is preferable to the "middle ground" approaches taken by some district courts because it is easier to apply and provides the certainty and predictability of outcome necessary to encourage full and frank communication with trial counsel.

Limiting this bright-line rule to separate trial counsel also reduces the risk of the attorney-client privilege being used in sword-and-shield litigation tactics. The risk of sword-and-shield litigation tactics is the greatest and, indeed would be the most egregious, when the same counsel is used both as opinion and trial counsel. For this reason, the bright-line rule endorsed by the ABA does not apply where the same counsel serves as both opinion and trial counsel. To be sure there is still a risk of unfair sword-and-shield litigation tactics where opinion and trial counsel are separate. But that risk is overridden by the overarching importance of preserving full and frank communication with trial counsel.

B. The ABA's Response to Question 2

Question 2: What is the effect of any such waiver on work-product immunity?

Answer: Assertion of the advice-of-counsel defense should not waive work-product immunity for materials prepared by trial counsel so long as trial counsel is not the same counsel who provided the opinion upon which the accused infringer relies.

1. Adopting the same bright-line rule with respect to the work-product of trial counsel encourages fair and efficient advocacy and promotes judicial efficiency.

As this Court has observed, the work-product immunity is important because it “promotes a fair and efficient adversarial system by protecting the attorney’s thought processes and legal recommendations from the prying eyes of his or her opponents.” *In re Echostar*, 448 F.3d 1294, 1301 (Fed. Cir. 2006). Indeed, the Supreme Court has warned of the “inefficiency and unfairness” likely to result where the work-product immunity is broadly disregarded. *Hickman v. Taylor*, 329 U.S. 495, 511 (1947).

Extending the waiver resulting from reliance on an advice-of-counsel defense to the work-product of trial counsel is likely to lead to burdensome workarounds that serve neither the interests of clients, nor the cause of justice. Trial counsel must be able to record opinions, mental impressions and strategies regarding all issues that arise in litigation without fear of waiver of privilege. Although certain categories of work-product are not discoverable even when an advice-of-counsel defense is asserted, others clearly are. *See In re Echostar*, 448 F.3d at 1302-04. Indeed, certain work-product may be discoverable even if it is not communicated to the client. *See id.* at 1304. Fear of a potential waiver could have a chilling effect on the creation of certain litigation documents and trial materials. The likely recourse for many lawyers would be increased reliance on

oral communication and rote memorization, even where impractical. *See Hickman v. Taylor*, 329 U.S. 495, 511 (1947) (warning of “sharp practices” that would develop if work-product were discoverable).

Moreover, attempts to distinguish between what is privileged and what is discoverable based on the subject matter of trial counsel’s work-product are unworkable. Based on their interpretation of *Echostar*, some district courts have taken a “middle ground” approach where waiver extends only to the “highly material” work-product of trial counsel, *see Genentech*, 442 F. Supp. 2d at 847, or work-product that “questions or contradicts” the advice of opinion counsel, *see Intex*, 439 F. Supp. 2d at 52. But such ad hoc distinctions are difficult to apply. This creates uncertainty regarding the scope of waiver that is likely to have a detrimental and chilling effect. In many cases, these ad hoc distinctions are also likely to result in disputes that will require the district court to undertake a burdensome *in camera* review of trial counsel work-product. Moreover, the mere prospect of *in camera* review – in and of itself – may have a chilling effect on the creation of work-product by trial counsel, particularly regarding issues decided by the court such as claim construction, the enhancement of damages upon a finding of willfulness, inequitable conduct, and a determination of “exceptional case” that may form a basis for an award of attorneys fees under 35 U.S.C. § 285.

Even categorization of trial counsel work-product pursuant to the categories set forth in *Echostar* may prove overly burdensome. In many cases, the volume of trial counsel work-product will be orders of magnitude greater than that of opinion counsel. The volume of email exchanged among members of a trial counsel team could be extremely burdensome and even impractical for a judge to review *in camera*. Moreover, the burden on counsel to categorize properly that voluminous work-product as well as the added burden on the district court to resolve resulting discovery disputes is substantial. For these reasons, the ABA supports a bright-line rule consistent that assertion of an advice-of-counsel defense does not waive immunity for work-product prepared by separate trial counsel.

C. The ABA's Response to Question 3

Question 3: Given the impact of the statutory duty of care standard announced in Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in Underwater Devices and the duty of care standard itself?

Answer: Yes, the ABA supports the principle that a legally consistent standard for a patent infringer to be liable for enhanced, or punitive, damages under 35 U.S.C. § 284 is "reprehensible conduct" in accord with general Supreme Court standards for punitive damages. The affirmative duty of due care standard set forth in *Underwater Devices* should be replaced with the foregoing reprehensible conduct standard.

1. Reprehensible conduct should be a necessary predicate to the award of punitive damages in patent cases, consistent with other areas of the law.

Like punitive damages in other areas of the law, enhanced damages for willfulness under 35 U.S.C. § 284 are punitive – not compensatory – in nature. *Sensonic, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996). The statutory basis for such punitive damages appears in section 284 where Congress provided that a “court may increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284 (2000). The “affirmative duty to exercise due care” as set forth in *Underwater Devices Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983), does not exist expressly in section 284 or elsewhere in the patent statutes.

The ABA agrees with the thrust of the separate opinion by Judge Dyk in *Knorr-Bremse* that “a finding of reprehensibility is a predicate to the award of punitive damages” in other areas of the law. *See Knorr-Bremse*, 383 F.3d at 1348 (J. Dyk concurring-in-part and dissenting-in-part). That opinion tracks the Supreme Court’s punitive damages jurisprudence and identifies constitutional constraints on such awards, including the requirement that the defendant’s conduct be reprehensible. Indeed, the Supreme Court has held that: “punitive damages should only be awarded if the defendant’s culpability, after having paid compensatory damages, is so reprehensible as to warrant the imposition of further

sanctions to achieve punishment or deterrence.” *State Farm Mutual Automobile Ins. Co. v. Campbell*, 538 U.S. 408, 419 (2003); *see also BMW of North America, Inc. v. Gore*, 517 U.S. 559, 575 (1996). Case law subsequent to *Knorr-Bremse* has reinforced the wisdom of looking to “reprehensible conduct” as a requirement for the circumstances in which punitive damage awards are appropriate. *See Phillip Morris USA v. Williams*, No. 05-1256, slip op. at 7 (U.S. Feb. 20, 2007) (stating that “reprehensible conduct” is part of the “punitive damages constitutional equation”).

This Court has recognized and applied the reprehensible conduct standard for an award of punitive damages in areas outside of patent law. In *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, 345 F.3d 1366 (Fed. Cir. 2003), the Court addressed the propriety of a punitive damages award arising from a claim for fraudulent inducement under state law. The Court recognized that the Supreme Court has identified specific criteria to determine the reprehensibility of a defendant’s conduct:

courts [may] determine the reprehensibility of a defendant by considering whether: the harm caused was physical as opposed to economic; the tortious conduct evinced an indifference to or a reckless disregard of the health or safety of others; the target of the conduct had financial vulnerability; the conduct involved repeated actions or was an isolated incident; and the harm was the result of intentional malice, trickery, or deceit, or mere accident. The existence of any one of these factors weighing in favor of a plaintiff may not be sufficient to sustain a punitive damages award; and the absence of all of them renders any award suspect.

Id. at 1371 (quoting *State Farm*, 538 U.S. at 419) (internal citations and emphasis omitted). Determining that the defendant in that case had acted with “intentional malice, trickery, or deceit”, the Court held that the Supreme Court’s “requirement of reprehensibility” was met and ultimately upheld the jury’s award of punitive damages. *Id.* Many of the same criteria announced by the Supreme Court, and applied by this Court, are applicable to a determination of willfulness and provide a legally consistent standard for an award of enhanced damages under 35 U.S.C. § 284.

2. The current affirmative duty of care standard improperly puts the burden to disprove willfulness and cost to avoid punitive damages on the accused infringer.

The requirement of an affirmative duty of care unfairly shifts the burden of proof on willfulness to the infringer. Although a determination of willfulness is based on the totality of the circumstances, *Knorr-Bremse*, 383 F.3d at 1342, the focus is most often centered on the affirmative duty of care. Precedent does not make clear exactly how an accused infringer may comply with its affirmative duty other than by obtaining and relying upon a competent opinion of counsel. Thus, in many cases the preeminent – if not the only – factor is whether the infringer sought an opinion of counsel when it became aware of the patent-at-issue. *See Sharper Image*, 222 F.R.D. at 631 (quoted *supra* at 4); *see also Z4 Techs., Inc. v. Microsoft Corp.*, No. 6:06-CV-142, 2006 WL 2401099, *8-9 (E.D. Tex. Aug. 18, 2006)

(upholding finding of willfulness based solely on defendant's lack of affirmative due care prior to litigation). The result is that the accused infringer effectively bears the burden and cost to disprove willfulness – before it is ever shown to have infringed.

Further, the affirmative duty of care provides little benefit to either the accused infringer or the patentee. With respect to post-litigation opinions, trial counsel will already assess and advise the accused infringer of the strength and weaknesses of its defenses. A post-litigation opinion, sought in addition to the advice of trial counsel, serves as little more than an attempted insurance policy against willfulness. It is unlikely to promote compliance with patent rights, which by the time litigation begins, either have or have not been infringed. Moreover, pre-litigation opinions of counsel have value regardless of whether there exists an affirmative duty of care. Clients will still seek out and obtain the advice of counsel prior to litigation to determine, *inter alia*, business risks that could result from a damages award and injunction in the event infringement is found and to assess the feasibility of design-arounds.

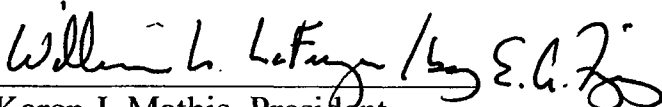
For these reasons, the ABA agrees in principle with the separate opinion in *Knorr-Bremse* and supports replacing the affirmative duty of care with the requirement for reprehensibility set forth by the Supreme Court. The focus for determining willfulness should be whether the infringer has acted so egregiously

that its conduct can be deemed to be reprehensible. In this regard, the criteria set forth by the Supreme Court for determining reprehensibility are relevant. *See, e.g., State Farm*, 538 U.S. at 419. But it is the view of the ABA that the mere failure to engage in affirmative due care cannot itself constitute “reprehensible conduct” sufficient to sustain an award of enhanced damages under 35 U.S.C. § 284.

III. CONCLUSION

For the reasons set forth above, the ABA respectfully submits that this Court should hold that assertion of the advice-of-counsel defense does not waive attorney-client privilege and work product immunity with respect to trial counsel so long as trial counsel is not the same counsel who provided the opinion upon which the accused infringer relies. Moreover, the ABA supports replacing the affirmative duty of care with the requirement for reprehensibility set forth by the Supreme Court.

Respectfully submitted,


A handwritten signature in black ink, appearing to read "William L. LaFuze / by E.A. J.", is written over a horizontal line.

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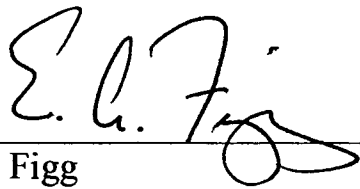
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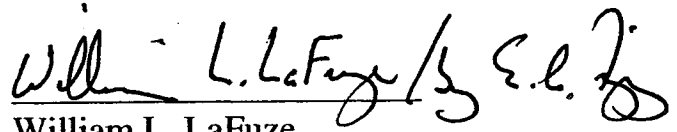
E. A. Figg

CERTIFICATE OF COMPLIANCE

I certify that the forgoing BRIEF OF THE AMERICAN BAR ASSOCIATION AS AMICUS CURIAE contains 4851 words as measured by the word processing software used to prepare the brief.

Respectfully submitted,

AMERICAN BAR ASSOCIATION


William L. LaFuze

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