

Misc. No. 2006-830

United States Court of Appeals
For the Federal Circuit

IN RE SEAGATE TECHNOLOGY, LLC,

Petitioner.

On Petition for a Writ of Mandamus to the
United States District Court for the Southern District of New York
(Hon. George B. Daniels)

**BRIEF FOR AMICUS CURIAE
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF PETITIONER**

Judith M. Saffer, President
AMERICAN INTELLECTUAL PROPERTY
LAW ASSOCIATION
2001 Jefferson Davis Highway, Ste. 203
Arlington, VA 22202
(703) 415-0780

Matthew D. Powers, Esq.
Steven C. Carlson, Esq.
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Pkwy.
Redwood Shores, CA 94065
(650) 802-3000

Amber H. Rovner, Esq.
WEIL, GOTSHAL & MANGES LLP
8911 Cap. of Tex. Hwy, Ste. 1350
Austin, TX 78759
(512) 349-1930

Counsel for Amicus Curiae

CERTIFICATE OF INTEREST

Counsel for *amicus curiae*, the American Intellectual Property Law Association, certifies the following:

1. The full name of every party or *amicus* represented by me is:
American Intellectual Property Law Association.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: **N/A.**
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: **None.**
4. There is no such corporation as listed in paragraph 3.
5. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this court are:

WEIL, GOTSHAL & MANGES LLP
Matthew D. Powers
Amber H. Rovner
Steven C. Carlson

AMERICAN INTELLECTUAL PROPERTY
LAW ASSOCIATION
Judith M. Saffer

March 19, 2007

Date

Amber H. Rovner

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of more than 17,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.

Respondents declined to consent to the filing of this brief. Pursuant to Fed. Cir. R. 29, AIPLA has filed concurrently herewith a motion for leave to file this brief.

SUMMARY OF THE ARGUMENT

Although findings of willful infringement are quite rare, willful infringement is pled as a boilerplate charge in almost every patent case. Indeed, current law encourages asserting willfulness not only because of the potential financial windfall, but especially because of the opportunity to intrude into an opponent's attorney-client privilege. The attendant problems involved in litigating issues of privilege and waiver are, therefore, encountered in virtually every patent case.

Patentees ostensibly bear the burden of proving willfulness, but the affirmative duty of care, if interpreted as a duty to seek legal advice, effectively and improperly shifts that burden. Once the patentee proves that the infringer knew that its actions were potentially infringing, it becomes the infringer's burden to prove that it satisfied its "duty of care." Little guidance exists, however, on the manner of satisfying this duty of care other than obtaining and relying on an opinion of counsel—and thus waiving privilege in the process.

The *en banc* Court in *Knorr-Bremse*¹ went some way toward restoring value to attorney-client relationships by abolishing the "adverse inference" that courts previously allowed to be drawn when an accused infringer refused to waive privilege surrounding an opinion of counsel. But, as Judge Dyk aptly commented,

¹ *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*).

the Court did not go far enough.² Further reexamination is warranted of this Court's precedent that has undermined attorney-client relationships in patent cases.

In particular, this Court should narrow the standards for finding willful infringement to focus on subjective bad faith on the part of accused infringers. The imposition of punitive sanctions against allegedly "willful" infringers should be based on the same criteria used in other areas of tort law. Such sanctions should be reserved for infringers guilty of truly "reprehensible" conduct.³ Standards for assessing willfulness along these lines have garnered support from many industry groups and are reflected in recently proposed legislative reforms. AIPLA submits that this Court is best situated to adopt the necessary reforms, as proposed herein.

At the same time, this Court should confirm that the duty of care does not include any duty "to obtain competent legal advice before engaging in any activity that could infringe another's patent rights."⁴ A duty to obtain legal advice, which has frequently (but not uniformly) been held to be part of the general "duty of care,"⁵ inherently and unnecessarily compromises the attorney-client relationship.

² *Id.* at 1348-1352 (Dyk, J., dissenting-in-part).

³ *Knorr-Bremse*, 383 F.3d at 1348-1349 (Dyk, J., dissenting-in-part).

⁴ *See, e.g., Comark Commc'ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed. Cir. 1998).

⁵ *See, e.g., Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983) (recognizing a "duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity");

Although *Knorr-Bremse* eliminated the “adverse inference” doctrine,⁶ it did not conclusively state that accused infringers bear no affirmative duty to obtain exculpatory opinions of counsel. Confirming this point will eliminate the “Hobson’s choice” faced by accused infringers, who must decide between effectively defending against an often boilerplate charge of willful infringement versus maintaining a privileged relationship with counsel. The patent system is better served by allowing full and frank discussions between accused infringers and their attorneys.

Although accused infringers should have no duty to obtain opinions of counsel, reliance on such opinions should remain an option for rebutting charges of willful infringement. The existence of this option means that issues of privilege and waiver will still arise in patent litigation. The Court should thus clarify the panel’s holding in *EchoStar*⁷ to confirm that reliance on an opinion of counsel waives privilege and work product only as to opinion counsel and this waiver does not extend to trial counsel. Forcing disclosure of communications with trial counsel, not to mention trial counsel’s mental impressions and trial strategies,

cf. Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1579 (Fed. Cir. 1986) (noting that “not every failure to seek an opinion of competent counsel will mandate an ultimate finding of willfulness”).

⁶ *Knorr-Bremse*, 383 F.3d at 1345-46.

⁷ *In re EchoStar Commc’ns Corp.*, 448 F.3d 1294 (Fed. Cir. 2006), *cert. denied sub nom Tivo, Inc. v. EchoStar Commc’ns Corp.*, 127 S. Ct. 846 (2006).

would effectively deny accused infringers effective assistance of counsel at trial. Facing such a harsh result, trial counsel would have no choice but to exclude their clients from important strategic considerations. Crippling the defense of accused infringers is hardly justified under the guise of validating a willfulness defense or achieving desired policy goals.

ARGUMENT

This Court's questions raise several policy concerns that, on balance, favor changing the focus of the willful infringement inquiry toward actual malfeasance by the infringer and away from the substance of opinions of counsel.

First, it is desirable to discourage unscrupulous copyists. Historically, this appears to have been the principal policy underlying the willful infringement inquiry. Before the Federal Circuit was created, the focal point of the willful infringement inquiry was the existence of deliberate copying, not the existence of an exculpatory opinion.⁸ Requiring legal opinions, however, does not necessarily discourage copyists. Questions of infringement and validity are sufficiently complex—particularly given the uncertainty that typically surrounds claim construction—that plausible exculpatory positions can nearly always be formed.

⁸ See, e.g., *American Safety Table Co. v. Schreiber*, 415 F.2d 373 (2d Cir. 1969); see also Matthew Powers & Steven Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 68 & n. 96 (2001) (collecting cases).

Thus, the fact that a party obtained an opinion may indicate only that it was savvy enough to realize the benefits of doing so, not that its conduct was proper.

Second, it is at least as desirable to encourage fully objective discussions between clients and their attorneys, which may assist clients in avoiding infringement. Such objective discussions are fostered by the protections of the “time-honored” attorney-client privilege,⁹ which deserves the utmost respect and protection. *See Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981) (noting that the attorney-client privilege serves the vital role of promoting “broader public interests in the observance of law and administration of justice. . . . [S]ound legal advice or advocacy serves public ends and . . . such advice or advocacy depends upon the lawyer’s being fully informed by the client”). For the attorney-client privilege to function properly, both clients and attorneys must be assured that their communications with each other concerning the subject of the representation will be protected. This is particularly true for communications between the client and trial counsel, given the importance to our adversary system of effective assistance of counsel. Potential infringers should not be discouraged from seeking and relying on legal advice in defending charges of willful infringement by the fear that privilege waiver will extend beyond opinion counsel to intrude upon the

⁹ *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991).

confidential relationship between client and trial counsel that is vital to an effective defense.

Third, it is desirable to encourage parties to utilize the patent system as a source of technical knowledge, and to conduct patent searches before engaging in commercial activity so that infringement can be avoided. Willfulness fears have, perversely, prompted a fear of knowledge of the existence of patents, thus discouraging patent searches.¹⁰ This is because an awareness of a patent, which may lead to an awareness of a potential infringement (no matter how tenuous that potential may be and no matter how questionable the validity of the patent) triggers the “duty of care.” As frequently interpreted, that duty forces the reviewing party into a no-win dilemma: obtain an exculpatory opinion and waive the privilege at trial (with perhaps no boundaries on waiver), or maintain the claim of privilege and risk an inability to prove satisfaction of the “duty of care.”

Against the backdrop of these principles, it is clear that the rights of accused infringers (and, really, all commercial enterprises who might consult published patents) are unfairly prejudiced by an affirmative duty to obtain an opinion of counsel, which requires any commercial enterprise engaging in potentially

¹⁰ See “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy, A Report by the FTC,” at Ch. IV, p. 29, Ch. V, p. 49 (Oct. 2003) <<http://www.ftc.gov/os/2003/10/innovationrpt.pdf>> (“FTC Report”) (last visited Feb. 24, 2007).

infringing activity to undertake significant expense and inconvenience if it learns of another's patent. This rule "finds no support in the patent damages statute, the legislative history, or Supreme Court opinions," yet it "effectively shifts the burden of proof on the issue of willfulness from the patentee to the infringer" because the accused infringer must rebut a charge of willfulness by proving that it exercised due care.¹¹ This Court should modify the duty of care by limiting the circumstances under which willful infringement may be found.

The uncertainty engendered by the panel's decision in *EchoStar*¹² over the scope of waiver of privilege and work product¹³ accompanying reliance on an opinion of counsel also merits clarification. In particular, *EchoStar* contains language that, on its face, could be construed as adopting a broad waiver of all attorney-client communications, including communications with trial counsel, relating to the subject matter addressed by an opinion. Such a broad waiver was not justified by the facts of *EchoStar*, however, because communications with trial

¹¹ *Knorr-Bremse*, 383 F.3d at 1349 (Dyk, J., dissenting-in-part).

¹² *In re EchoStar*, 448 F.3d at 1294.

¹³ Like attorney-client privilege, work product immunity serves a "strong public policy" by protecting the mental impressions, strategies and plans of counsel in or anticipating litigation. *Upjohn*, 449 U.S. at 398. Work product immunity requires a "degree of privacy, free from unnecessary intrusion by opposing parties and their counsel." *Hickman v. Taylor*, 329 U.S. 495, 510-511 (1947). Without such privacy, attorneys will not be at liberty to exhaustively prepare their legal theories and litigation strategies. *Id.*

counsel were not at issue. The defendant in *EchoStar* was attempting to rely upon an opinion received from in-house counsel while not waiving the privilege as to communications with its outside *opinion* counsel.¹⁴ The panel's opinion does not specifically address the unique considerations that apply to confidential communications with trial counsel because such communications were simply not at issue. But *EchoStar*'s unduly sweeping language could induce district courts to overextend the proper scope of waiver, as in the present case—especially where an opinion of counsel was obtained after litigation ensued.¹⁵

I. ANSWERS TO THE QUESTIONS PRESENTED

As a precursor to the detailed discussion of these issues, AIPLA provides the following short answers to the Court's Questions Presented. AIPLA proposes answers to the *en banc* questions that are based on legal principles as well as on the practical need to manage cases and reduce the burdens on litigants and trial courts. AIPLA addresses the Court's third issue first, as this issue has the greatest potential for fundamental change, and will necessarily affect the first two issues.

¹⁴ *Id.* at 1297.

¹⁵ *See also, e.g., Iridex Corp. v. Synergetics, Inc.*, ___ F. Supp. 2d ___, 2007 U.S. Dist. LEXIS 7747 at *3 (E.D. Mo., Feb. 2, 2007) (extending opinion waiver to include "advice from trial counsel," reasoning that "this result is required by the *Echostar* decision itself.").

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 Court should revise the duty of care standard to focus on whether the conduct of the infringer is sufficiently culpable to permit a punitive damages award, instead of requiring an affirmative duty to obtain legal advice. Although the patent owner nominally bears the burden of proving willful infringement by clear and convincing evidence, requiring potential infringers to obtain exculpatory opinions of counsel unfairly forces them to bear the burden of objectively negating a showing of willfulness. Such result is contrary to the general rule that the imposition of punitive damages must be justified by clear and convincing evidence of willful misconduct. It also sets patent cases apart by unnecessarily compromising attorney-client relationships.

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? See In re EchoStar Commc'n Corp., 448 F.3d 1294 (Fed. Cir. 1996).*

Answer: No. Widening the scope of waiver beyond opinion counsel to include communications with trial counsel virtually (yet unfairly) destroys an accused infringer's ability to defend itself adequately, or even to evaluate reasonably the patentee's charges. In effect, a patent defendant would have to choose between reliance on an opinion of counsel and effective assistance of trial

counsel. But this is no choice at all, meaning that the net effect of extending waiver to trial counsel deprives a patent defendant altogether of the ability to rely on opinions of counsel. Such a rule unfairly and singularly impairs the ability of patent defendants to defend against claims for punitive damages.

2. *What is the effect of any such waiver on work-product immunity?*

Answer: Opinion counsel's work product should be disclosed only as necessary to inform the Court of the infringer's state of mind in relying on an opinion of counsel. Trial counsel's work product, however, should be immune from disclosure. As recognized in *EchoStar*,¹⁶ work-product immunity is necessary to promote a fair and efficient adversarial system by protecting the attorney's thought processes and legal recommendations from the prying eyes of the opponent. The doctrine encourages counsel to record their thoughts and opinions without fear that their opponents will "rob them of the fruits of their labor."¹⁷ Depriving trial counsel of work product immunity would harm the quality of trial preparation, yet cannot be justified as necessary to adequately test a party's reasonable reliance on the advice of opinion counsel.

¹⁶ *In re EchoStar*, 448 F.3d at 1301.

¹⁷ *Hickman*, 329 U.S. at 511.

II. THE “DUTY OF CARE” STANDARD SHOULD BE REVISED IN FAVOR OF BASING WILLFUL INFRINGEMENT ON AN INFRINGER’S SUBJECTIVE BAD FAITH

This Court has often recognized that enhanced damages under section 284 of the patent statute,¹⁸ which may be awarded following a finding of willful infringement, are a form of punitive damages.¹⁹ Accordingly, it is appropriate to treat willful infringement like other torts that lead to the imposition of punitive damages.²⁰

As frequently interpreted, the duty of care requirement shifts the focus of willful infringement away from subjective intent underlying truly reprehensible conduct, and instead requires accused infringers to prove that their conduct satisfies an objective good faith standard. This is inconsistent with Supreme Court authority holding that punitive damages can be awarded only in situations in which the conduct is truly reprehensible. *See, e.g., State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 418 (2003) (noting that punitive damages are to be assessed, in part, according to the “degree of reprehensibility of the defendant’s misconduct”); *BMW of N. America, Inc. v. Gore*, 517 U.S. 559, 575 (1996) (same);

¹⁸ 35 U.S.C. § 284.

¹⁹ *See, e.g., Sensonics, Inc. v. Aeronomic Corp.*, 81 F.3d 1566, 1574 (Fed. Cir. 1996); *see also Knorr-Bremse*, 383 F.3d at 1348 (Dyk, J., dissenting in part).

²⁰ *Knorr-Bremse*, 383 F.3d at 1348-1349 (Dyk, J., dissenting in part) (discussing need to abolish duty of care in patent cases as inconsistent with law on punitive damages in other contexts).

see also *Philip Morris USA v. Williams*, ___ U.S. ___, 2007 U.S. LEXIS 1332 **19-20 (Feb. 20, 2007) (holding that harm to third parties may be considered by a jury in determining reprehensibility of conduct sufficient to support punitive damages). Other decisions of this Court have appropriately focused on these subjective considerations. See, e.g., *Nat'l Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1192 (Fed. Cir. 1996) (noting that liability for willfulness infringement "turns on considerations of intent, state of mind and culpability"); *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 978-979 (Fed. Cir. 1986) (affirming district court's finding of willfulness based on findings that the infringer "faithfully copied the claimed invention, took an untenable position regarding validity of the patent, and presented a frivolous defense of noninfringement").

Thus, reconsideration of the duty of care does not require a complete disregard of this Court's precedent on willful infringement. Rather, this Court should focus on harmonizing its precedent with considerations typically applied to punitive damages, giving due regard to the importance of attorney-client privilege in patent cases just as in any other case.

**A. Problems in Current Law Imposing an Objective
"Duty of Care" Standard**

The "duty of care" has its genesis in this Court's decision in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), which first imposed an affirmative duty to exercise due care to avoid known patent rights of

others. *Id.* at 1389. In recognizing a duty of care, the Court also explained that this duty usually includes “the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity.” *Id.* at 1390.

Consulting with counsel normally is a *right* or privilege in our legal system; imposing a *duty* to obtain advice of counsel is extraordinary. No justification supports imposing that duty on a party who may be engaged in potentially infringing activity yet has mere awareness of the *existence* of a patent. *Underwater Devices* imposed the duty without critical analysis, going far beyond prior cases, in which independent evidence existed that established willfulness. *Underwater Devices*, 717 F.2d at 1389-1390 (citing *Gen. Elec. Co. v. Sciaky Bros., Inc.*, 415 F.2d 1068, 1073-1074 (6th Cir. 1969) (copying); *Milgo Elec. Corp. v. United Bus. Commc'ns, Inc.*, 623 F.2d 645, 665 (10th Cir. 1980) (copying); *Marvel Specialty Co. v. Bell Hosiery Mills, Inc.*, 386 F.2d 287, 289 (4th Cir. 1967) (affirming willfulness finding where defendant's president admitted he knew accused machine was “quite similar” to patented machine but undertook no other investigation even after being notified of infringement by the patentee)). And the cases cited in *Underwater Devices* for the “duty to seek and obtain competent legal advice . . . *before* the initiation of any possible infringing activity” imposed no such duty. For example, in *General Electric Co. v. Sciaky Bros., Inc.*, 415 F.2d 1068, 1072 (6th Cir. 1969) the court simply noted that a good-faith opinion by

competent and independent patent counsel “may be important evidence to be weighed” on the issue of willfulness.

Moreover, a reasonable investigation into whether a given activity likely infringes a valid patent does not necessarily include securing advice of counsel. This Court has explained that the willfulness 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.” *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1428 (Fed. Cir. 1988). This Court has also recognized (although rarely held) that “not every failure to seek an opinion of competent counsel will mandate an ultimate finding of willfulness.” *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1579 (Fed. Cir. 1986).

Thus, for example, there may be instances under a totality of circumstances analysis in which some engineers, scientists, or other skilled artisans associated with an accused infringer, assuming they have a sufficient knowledge of the law, could be capable of comparing patent claims with accused products or processes to assess infringement. After all, “[a] patent specification is directed to one of ordinary skill in the art.” *Wang Labs., Inc. v. Toshiba Corp.*, 993 F.2d 858, 866 (Fed. Cir. 1993). Thus, it is presumed that “a person experienced in the field of the invention would understand the scope of the subject matter that is patented when the claim[s] [are] read in conjunction with the rest of the specification.” *S3 Inc. v.*

nVIDIA Corp., 259 F.3d 1364, 1367 (Fed. Cir. 2001); *see also Exxon Research and Eng'g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001) (noting that claims are written for interpretation by persons of "ordinary skill in the art"). In some cases, a reasonably prudent business person could form a reasonable, good faith belief of noninfringement based on such a technical analysis. *See, e.g., Biotec Biologische Naturverpackungen GmbH & Co. v. Biocorp, Inc.*, 249 F.3d 1341, 1355-1356 (Fed. Cir. 2001) (affirming finding of no willfulness where accused infringer relied solely on the noninfringement advice of "a world-renowned expert in the art").

History has shown that an objective "duty of care" standard, requiring exculpatory opinions of counsel, severely undermines the attorney-client relationship in patent cases by effectively requiring accused infringers to waive privilege, even when defending against rote and boilerplate willful infringement allegations. Although *Underwater Devices* laudably sought to encourage potential infringers to seek legal advice before acting, its practical effect has been far less positive. In practice, the current incarnation of the "duty of care" actually *discourages* potential infringers from conducting patent searches and seeking candid advice from their attorneys, and even inhibits attorneys when advising clients and providing noninfringement guidance.²¹

²¹ FTC Report at Ch. IV, p. 29, Ch. V, p. 49.

Waiving privilege creates a host of problems. Opinions are often used in the liability trial for improper purposes, such as to impeach trial positions that differ from opinion positions developed much earlier and often without the benefit of any discovery. Juries are asked to assess the competence of opinions, an often technical inquiry that puts attorneys on the stand and poses questions that lay juries may be ill-suited to answer. Trial counsel risk disqualification if they rendered opinions that bear on the willfulness inquiry, generally compelling accused infringers to incur the expense of retaining two sets of counsel. Work product and trial strategy are compromised, especially because—as seen in the present case—the scope of waiver can be quite broad, even including opinions rendered by trial counsel through the time of trial (although this should not be the case). This effect is exacerbated by the uncertain scope of the waiver that will be enforced after reliance on advice of counsel. The uncertainty over what will remain private not only impedes attorneys' ability effectively to advise their clients, but also spawns expensive satellite litigation and discovery squabbles, as seen in this case, which burden both courts and litigants.

Meanwhile, imposing a duty to consult patent counsel may not necessarily further the judicial truth-finding process because it may motivate some accused infringers to obtain only exculpatory, rather than entirely balanced, opinions. The presence of such an opinion is thus both grossly over-inclusive and under-inclusive

to identify truly willful infringers.²² The absence of a willfulness opinion is an over-inclusive indicator of willful infringement because many understandable reasons, well short of an intent to infringe a patent, may explain why an opinion was not obtained. Willfulness opinions are costly and time-consuming to obtain. This is particularly true if the opinion is designed to endure the attacks that are inevitable if litigation ensues. Further, these litigation-ready opinions often involve separate counsel screened from the litigation process to try to minimize risk of waiving privilege of trial counsel, hence requiring legal work that is duplicative of work performed by in-house counsel or litigation counsel or both.

Simply put, the *en banc* Court should revise its “duty of care” precedent to focus on a defendant’s good faith belief instead of requiring an affirmative duty to obtain an opinion of counsel.

B. Proposal for Subjective Willfulness Standards Based on Patent Reform Movement

The proper standard for determining willful infringement is an issue that has been addressed by current patent law reform efforts.²³ The Patent Reform Act of

²² See Powers & Carlson, *supra*, at 104-105.

²³ In the midst of the debate of patent law reform during the 109th Congress in the Spring-Summer of 2005, Representative Lamar Smith (R-Texas) introduced H.R. 2795, which proposed reforms on many patent issues including willful infringement. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (1st Sess. 2005) <<http://www.govtrack.us/congress/billtext.xpd?bill=h109-2795>> (last visited Mar. 7, 2007). Following extensive debate and lobbying on H.R. 2795,

2005 proposed to “reduce[] the scope of ‘willful infringement’ by raising the standard of proof required [for finding willful infringement].”²⁴ This provision was “in response to the criticism of the existing standard which discourages people from reading issued patents because of the potential liability for willful infringement.”²⁵ Such criticism was reflected in a report issued by the Federal Trade Commission in 2003, which provided several recommendations for patent law reform that purported to promote innovation, while balancing the need for competition.²⁶ Following a rapid surge of activity on Capitol Hill,²⁷ however, lack

Representative Smith offered an amended bill on July 26, 2005 entitled “Amendment in the Nature of a Substitute to HR 2795.” Hearings on that bill were held on September 15, 2005. See <<http://thomas.loc.gov/cgi-bin/bdquery/z?d109:HR02795:@@L&summ2=m&#amendments>> (last visited Mar. 7, 2007).

²⁴ The Public Knowledge, “H.R. 2795: The Patent Reform Act of 2005,” <<http://www.publicknowledge.org/issues/hr2795>> (last visited Feb. 24, 2007).

²⁵ *Id.*

²⁶ See FTC Report at Ch. V, p. 31 (proposing a “solution that raises the threshold for finding willfulness”). The National Research Council of the National Academies also released a report in 2004 criticizing existing willfulness standards and proposing several willfulness reforms, including abolishing the “effective requirement that accused infringers obtain and then disclose a written opinion of counsel.” STEPHEN A. MERRILL, RICHARD C. LEVIN, AND MARK B. MYERS, A PATENT SYSTEM FOR THE 21ST CENTURY, at p. 185-186 (Nat’l Academies Press 2004) (available for purchase at www.nap.edu).

²⁷ The Patent Reform Act of 2005 was followed closely by other bills proposing similar willfulness reforms. On April 5, 2006, Representative Howard Berman (D. Cal.) introduced the “Patents Depend on Quality Act of 2006” or “PDQ Act” (H.R. 5096). See Patents Depend on Quality Act, H.R. 5096, 109th Cong. (2006)

of agreement on a small number of important issues has stalled (at least for now) legislative progress on such reforms.

The patent law reform efforts commendably sought to use legislative means to address the unintended consequences and problems with the current judicially-created willfulness doctrine. But the best place to address these issues is in the courts, where the doctrine was first announced. Given this Court's exclusive jurisdiction over patent appeals, this Court is the best forum to achieve these reforms and ensure that willful infringement is predicated on malfeasance without unduly compromising attorney-client relationships.²⁸

<<http://www.govtrack.us/congress/billtext.xpd?bill=h109-5096>> (last visited Mar. 7, 2007). On August 3, 2006, Senator Orrin Hatch (R. Utah) introduced S. 3818, which contains willfulness reforms similar to the language of the House bills. See Patent Reform Act of 2006, S. 3818, 109th Congress (2006) <<http://www.govtrack.us/congress/bill.xpd?bill=s109-3818>> (last visited Mar. 7, 2007).

²⁸ See, e.g., *Novo Industri A/S v. Travenol Lab., Inc.*, 677 F.2d 1202, 1211 (7th Cir. 1982) ("An award of increased damages under § 284 is directed at acts constituting 'conscious and willful infringement of the patent.'" (citations omitted)); *Wilden Pump & Eng'g Co. v. Pressed & Welded Prods. Co.*, 655 F.2d 984, 989 (9th Cir. 1981) ("Willfulness is established only where it is shown that there was a deliberate purpose to infringe....") (quoting *Int'l Mfg. Co. v. Landon, Inc.*, 336 F.2d 723, 728 (9th Cir. 1964)); *Deere & Co. v. Int'l Harvester Co.*, 658 F.2d 1137, 1146 (7th Cir. 1981) (stating that section 284 "has been interpreted by the courts to apply only in cases of bad faith where conscious and willful infringement are found."); *Milgo Elec. Corp. v. United Bus. Commc'ns*, 623 F.2d 645, 666 (10th Cir. 1980) ("UBC's copying activities evidenced that its conduct in manufacturing and selling infringing modems after 1970 was intentional and deliberate, in willful disregard of Milgo's rights, rather than merely accidental or negligent."); *Eltra Corp. v. Basic Inc.*, 599 F.2d 745, 758 (6th Cir. 1979) (distinguishing intentional

To address the pitfalls of the current duty of care, AIPLA supports adoption of willfulness reforms along the lines of those proposed in both the House and Senate, as discussed herein. This encompasses a balanced and achievable set of reforms that will not harm the interests of patent owners yet will advance the interests of the public.²⁹

1. Willfulness Should be Found Only in Limited Circumstances Involving Subjectively Culpable Conduct

Under the proposed standards, willfulness could be found only in three situations, to be proved by the patentee with clear and convincing evidence: (1) the infringer received written notice of infringement from the patentee sufficient to satisfy declaratory judgment jurisdiction,³⁰ but continued to infringe,

infringement from inadvertent infringement); *American Safety Table Co. v. Schreiber*, 415 F.2d 373, 378 (2d Cir. 1969) (“Awards of increased damages are made sparingly and only when a clear showing of deliberate infringement justifies the exercise of the Court’s discretion.”) (internal quotations omitted); *Colgate-Palmolive Co. v. Carter Prods., Inc.*, 230 F.2d 855, 866 (4th Cir. 1956) (affirming imposition of increased damages for “deliberate” infringement).

²⁹ The reforms proposed herein are also consistent with the recommendations proposed by the Federal Trade Commission. See FTC Report, Ch. 5, at p. 31.

³⁰ To avoid a spate of spurious demand letters, the requisite “notice” that should be required of the patentee must allege acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent, and must identify with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim. This would endow the recipient of the notice with sufficient standing to challenge the patent’s validity. See, e.g., *Fina Research, S.A. v. Baroid Ltd.*, 141 F.3d 1479, 1482 (Fed. Cir. 1998) (noting that a

after a reasonable opportunity to investigate; (2) the infringer intentionally copied the patented invention with knowledge that it was patented; or (3) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent. Limiting findings of willfulness to these situations properly confines willful infringement (and attendant punitive damages) to situations in which the infringer is truly culpable by having engaged in reprehensible conduct sufficient to justify imposing punitive damages. Only if the patentee satisfies its burden of proof in any of these situations would the burden then shift to the accused infringer to prove that it had an informed good faith belief that the patent was invalid or unenforceable, or not infringed.

Such a change in law would not unduly burden patent owners. Before threatening punitive treble damages, patentees should form a reasoned belief in infringement and should provide actual notice to allegedly infringing entities. The current practice of allowing patentees to shift the costs of initially evaluating infringement unfairly extends the power of abusive licensing demands and

“letter threatening an infringement suit unless the alleged infringer ceases the offending activity satisfies the first prong of the justiciability test”).

predatory litigation threats.³¹ Similarly, a potential infringer's risk of treble damages from mere awareness of a patent unduly discourages innovation, proper use of patents as a technical resource, and legitimate competition.³² Entities should not be placed at risk of treble damages, or be forced to devote limited resources to investigating infringement and validity, unless patentee itself has threatened litigation sufficiently to create declaratory judgment jurisdiction, or the infringer deliberately copied the invention.³³

A patentee faces no hardship in notifying an infringer of a potential infringement claim to trigger a duty to evaluate that claim, thus preserving treble damage possibilities. But it is unfair to allow the patentee to remain silent and force the alleged infringer to incur the extraordinary expense of exploring every hypothetical claim in the absence of a concrete dispute. Under the proposed standards, "so long as [an entity] creates its own invention, it would not be harmed by knowledge gained through reading patents; the patent system's disclosure

³¹ See Kurt M. Saunders, *Patent Nonuse and the Role of Public Interest as a Deterrent to Technology Suppression*, 15 HARV. L.J. & TECH. 389, 402-03 (2002); Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1515-20 (2001).

³² See FTC Report at Ch. 5, at pp. 30-31 (discussing the "disproportionately large *in terrorem* effect" of willful infringement).

³³ See *id.*; see also Lisa A. Dolak, *Declaratory Judgment Jurisdiction in Patent Cases: Restoring the Balance Between the Patentee and the Accused Infringer*, 38 B.C.L. REV. 903, 939-48 (1997).

function would be protected, and firms could conduct searches to determine their potential exposure to infringement claims.”³⁴

On the other hand, if an entity deliberately copies a patented technology, actual notice from the patentee should not be necessary to trigger a duty to investigate.³⁵ By deliberately copying patented technology, the entity voluntarily incurs a substantially higher risk of infringement, warranting an analysis of validity and claim scope. Following a reasonable investigation under the circumstances, however, the entity should not be punished by treble damages if it adopts or continues to use the copied technology after having formed a good-faith belief that the patent is invalid, not infringed or is unenforceable.

2. An Opinion of Counsel Should Not Be Required, But Could Be One Consideration on the Issue of Willfulness

A competent and timely opinion of counsel is important evidence of an accused infringer’s good faith belief that the patent-in-suit is invalid, not infringed or unenforceable. The presence or absence of an opinion of counsel, however, should be only one indicium of an alleged infringer’s good faith and due care concerning a patent, not the sole determining factor. As this Court has emphasized in recent decisions, the fact finder should consider all of the evidence relevant to an

³⁴ FTC Report at Ch .5, p. 31.

³⁵ *See id.*

alleged infringer's good faith and be free to draw its own conclusions on willfulness. See e.g., *State Contracting & Eng'g Corp. v. Condotte America, Inc.*, 346 F.3d 1057, 1064-1065 (Fed. Cir. 2003); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999). Additional factors that warrant consideration are the extent of the accused infringer's post-notice investigation into infringement and validity, including obtaining technical evaluations from those skilled in the art.³⁶ Further, consistent with *Knorr-Bremse*, the decision of the infringer not to present evidence of advice of counsel should have no relevance to a determination of willful infringement.³⁷

III. WAIVER OF PRIVILEGE SHOULD NOT ENCOMPASS COMMUNICATIONS WITH TRIAL COUNSEL OR TRIAL COUNSEL WORK PRODUCT

When an accused infringer asserts that it relies on the advice of counsel, it brings into question whether such reliance was genuine and reasonable. To allow trial courts to probe this question, this Court has held that that the patentee has a right to discover documents that would otherwise be covered by either the

³⁶ Because patent claims are intended for those of ordinary skill in the art, forming a "good faith" belief of noninfringement or invalidity need not involve the same detailed legal analysis that courts undertake in construing patent claims.

³⁷ *Knorr-Bremse*, 383 F.3d at 1344 ("[N]o adverse inference shall arise from invocation of the attorney-client and/or work product privilege.").

attorney-client privilege or by the attorney's work product immunity.³⁸ Because of the breadth of issues that are relevant to a charge of willfulness—whether the advice was competent and timely sought, whether the accused infringer acted in accordance with the advice, etc.—the scope of waiver can be substantial. But, despite this Court's holdings in *Knorr-Bremse* and *EchoStar*, insufficient guidance exists from this Court as to the proper scope of privilege waiver, particularly as it pertains to communications with trial counsel.

A. Uncertainty in Scope of Waiver Following *EchoStar*

As noted by the Supreme Court, “[a]n uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.” *Upjohn*, 449 U.S. at 393. Sophisticated parties know, in advance of seeking legal advice, that reliance on an opinion of counsel will require waiver of communications with opinion counsel. Attorneys preparing legal opinions similarly must assume that their work product may be made available to opposing counsel, to the limited extent that it is probative of the client's state of mind in reasonably relying on the opinion, as discussed by the *EchoStar* panel.³⁹

³⁸ *In re EchoStar*, 448 F.3d at 1301.

³⁹ *Id.* at 1302-1303.

But the uncertainty in privilege law pertaining to trial counsel, sparked by sweeping statements in *EchoStar*, creates a pernicious situation. The risk of having patentees effectively “listen in” on defendants’ conversations with their trial counsel, involving critical issues of trial strategy, may force parties to restrict the scope of their relationship with their trial counsel. The potential result is that trial counsel may be hampered in their ability to effectively represent their clients, in writing or otherwise, about choices in strategy. In turn, if trial counsel are impaired in their ability to be completely candid with their clients about risks of litigation, the potential for settlement may suffer. This benefits no one.

B. Proposal for Limiting Scope of Waiver

Given the uncertainty following *EchoStar*, this Court should articulate guidelines for the waiver of privilege that will accompany reliance on an opinion of counsel in patent cases. AIPLA submits that waiver of privilege should extend no further than necessary to effectuate the goal of waiver—that is, to test the defendant’s state of mind and reasonableness in relying on the opinion of counsel.⁴⁰ As the panel explained in *EchoStar*, “[t]he overarching goal of waiver in such a case is to prevent a party from using the advice he received as both a

⁴⁰ See *In re EchoStar*, 448 F.3d at 1303 (noting that waiver of privilege and work product extends “only so far as to inform the court of the infringer’s state of mind”).

sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice.”⁴¹

In the context of communications with trial counsel, such “sword and shield” concerns must be balanced with the critical importance of providing effective assistance of counsel at trial. Heavily litigated patent cases often involve very large damage claims—and the amount of pressure an accused infringer faces from exposure to treble damages obviously increases with the magnitude of the likely compensatory award. Compromising the attorney-client relationship to the point of impairing effective assistance of defense counsel thus disadvantages accused infringers. In some circumstances, the magnitude of that disadvantage could threaten basic due process values and could dislodge essential underpinnings of the adversary system. The due process concerns are compounded by the fact that in patent litigation a finding of willfulness often is the stepping stone to an award of attorney’s fees.⁴²

At the same time, however, patentees face no significant barriers to adding allegations of willfulness to infringement complaints. A rule extending privilege waiver to encompass communications with trial counsel would only encourage rote

⁴¹ *Id.*

⁴² *See, e.g., Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 657 (Fed. Cir. 1985).

and boilerplate charges of willful infringement, effectively blocking reliance on any opinions of counsel, because defendants certainly cannot voluntarily choose the remaining alternative—to deny themselves effective assistance of trial counsel.

A further consideration, unique to trial counsel, is settlement of ongoing litigation. Trial counsel must be free to be completely candid with their clients to fulfill their ethical obligations to their clients and also to the judicial system, without fear of possibly negative communications being divulged to patentees. Even a perception that the defendant's ability to maintain a confidential relationship with its trial counsel was seriously impaired would distort the balance of power between the parties, giving plaintiffs unfair leverage in settlement negotiations. Such a perception would also encourage the filing of claims of willful infringement without regard to their merit.

The primary thrust of a claim of willful infringement is that the accused infringer, knowing of the plaintiff's patent rights, should not have engaged in infringing conduct. The state of mind of the accused infringer that is most relevant, therefore, is the state of mind at inception of the willful infringement. Most typically, this was before the complaint was ever filed. Subsequent communications with trial counsel are of marginal relevance, at best, to that state of mind.

In theory, of course, a breach of the duty not to willfully infringe could first occur after a lawsuit was filed—during the months or years between service of the complaint and commencement of trial.⁴³ Also, in theory, an entity who relied reasonably on advice of counsel received before litigation began could receive later, during the pretrial period, information or advice that made it clear that it was in fact infringing—and thus made it clear that the advice originally received was at least wrong, if not incompetent. But the confluence between this kind of “post-filing willfulness” theory and reality is rare, and does not justify a categorical expansion of waiver to encompass communications with trial counsel.

CONCLUSION

The Court should revise the duty of due care standard for determining willfulness in patent cases consistently with the standards proposed herein, which focus on subjectively reprehensible conduct instead of requiring reliance on opinions of counsel. The Court should also clarify its holding in *EchoStar* to confirm that waiver of privilege and attorney work product surrounding an exculpatory opinion of counsel does not extend to trial counsel.

⁴³ See, e.g., *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1222 (Fed. Cir. 1995) (noting that “[t]he filing of a lawsuit does not stop the clock insofar as culpability may arise from continuing disregard of the legal rights of the patentee,” but holding that patentee’s subsequent attempt to mitigate infringement did not evidence earlier culpability for willfulness).

Respectfully submitted,

Matthew D. Powers, Esq.
Steven Carlson, Esq.
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Pkwy.
Redwood Shores, CA 94065
(650) 802-3000

Judith M. Saffer, President
AMERICAN INTELLECTUAL PROPERTY
LAW ASSOCIATION
2001 Jefferson Davis Highway, Ste. 203
Arlington, VA 22202
(703) 415-0780

Amber H. Rovner, Esq.
WEIL, GOTSHAL & MANGES LLP
8911 Cap. of Tex. Hwy, Ste. 1350
Austin, TX 78759
(512) 349-1930

Dated: March 19, 2007

CERTIFICATE OF SERVICE

I hereby certify that an original and thirty (30) copies of the foregoing **BRIEF FOR AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER** were filed on this date via overnight delivery, on March 19, 2007, addressed to the Clerk's Office, U.S. Court of Appeals for the Federal Circuit, 717 Madison Place, N.W., Washington, D.C. 20439.

I also certify that two true and correct copies of the foregoing **BRIEF FOR AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER** were served via Federal Express, next day delivery, to each of the principal attorneys of record as follows:

Brian E. Ferguson
McDermott, Will & Emery
600 13th Street, N.W., Suite 1200
Washington, DC 20005-3096
(202) 756-8371
Attorney for Petitioner Seagate Technology, LLC

Debra Brown Steinberg
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
(212) 504-6000
*Attorney for Respondents Convolve, Inc.
and Massachusetts Institute of Technology*

Amber H. Rovner

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Amber H. Rovner
Attorney for *Amicus Curiae*
American Intellectual Property Law Association

Date: March 19, 2007