

Willful Infringement Litigation - Waiver & Work Product Protection - Part II

BY ROY SIMON

When a defendant invokes the advice of counsel defense in a willful infringement case and thus waives the attorney client privilege does the defendant also waive work product protection? Last month, I introduced the debate over this issue, beginning with early cases holding that waiving the attorney client privilege automatically waives work product, and ending with the influential decision in *Thorn EMI North America, Inc. v. Micron Technology, Inc.*, 837 F. Supp. 616 (D. Del. 1993) and its progeny. The *Thorn* case held that waiver of the attorney client privilege via the advice of counsel defense waives work product protection only as to work product materials that counsel actually communicated to the defendant. This month I will look at various cases that have rejected the *Thorn* approach, as well as some cases that have tried to reach a middle ground, or that have lined up behind *Thorn*, including a May 2004 decision from the Southern District of New York.

Courts Rejecting *Thorn*

One of the first cases to distinguish *Thorn* was a New York case, *Variable Parameter Fixture Development Corp. v. Morpheus Lights, Inc.*, 1994 WL 97572 (S.D.N.Y. 1994) (Buchwald, Chief Magistrate J.). An associate named Casey had written an internal law firm memorandum concluding that proposed conduct by Morpheus would infringe the plaintiff's patent. The partner advising the alleged infringer rejected Casey's conclusions and gave Morpheus an oral opinion (but not a written one) that its conduct would not infringe plaintiff's patent. During discovery, the law firm produced a redacted copy of Casey's memorandum but refused to produce the full memorandum. Relying on *Thorn*, the law firm argued that it did not have to disclose the full memorandum because the subjects covered by the redacted portions of the memorandum had never been communicated to the defendant. The court disagreed and ordered full disclosure. The plaintiff had demonstrated a "substantial need" for the Casey memorandum, the court said, because the opinion provided by the law firm had been given only orally, making access to all documents seen by the opinion provider "essential to cross examination." *Thorn* was distinguishable because all the opinions in *Thorn* were in writing, and because "the Casey memorandum might be relevant to the adequacy of the advice of counsel"

A New York case squarely rejecting *Thorn* soon followed. In *Matsushita Electronics Corp. v. Loral Corp.*, 1995 WL 527640 (S.D.N.Y. 1995) (Dolinger, Magistrate J.), the defendants cited *Thorn* for the proposition that invoking the advice of counsel defense did not waive work product protection for information that was not communicated to the client. The court disagreed for two reasons:

First, if the advice rendered was in part oral ... there will inevitably be some question as to what the attorney actually told the client. In such a case, the materials considered by the attorney in rendering that advice may be quite useful in seeking to unearth the precise substance and scope of the attorney's advice.

Second, the advice of counsel defense requires the defendant to establish that his reliance on the advice was reasonable. That determination may turn on a variety of considerations, one of which may involve the question of what information was known to the attorney when he formulated his opinion. Thus, even if some of the information reviewed by counsel was not then conveyed to the client as part of the advice, that information would come well within the scope of relevance if the attorney relied upon it or at least considered it in arriving at the conclusions that he did convey to the client.

The court therefore concluded that the plaintiff was "entitled to discover what information and analyses defendants' counsel relied upon or considered in rendering the advice that defendants now invoke as a defense in this case."

In *Micron Separations, Inc. v. Pall Corporation*, 159 F.R.D. 361 (D. Mass. 1995) (Collings, Magistrate J.), the court did not flatly reject *Thorn*, but it zeroed in on opinion work product. What showing would be required to discover opinion work product? A litigant may obtain ordinary work product by showing only "substantial need" and "undue hardship," but in *Upjohn v. United States*, 449 U.S. 383 (1981), the Supreme Court held that a "far stronger showing of necessity and unavailability by other means" is required before a court may order disclosure of opinion work product. A waiver rule that applied to all documents "relating to infringement" may result in an unnecessarily broad invasion of trial counsel's work product, requiring trial counsel to reveal every document communicated to the client about infringement, including trial strategy, even if the work product was "entirely consistent with the earlier opinion letter and casts no doubt on the validity of the opinions contained in the letter or the bases of those opinions." Was such broad disclosure really necessary?

The key to determining the proper scope of any waiver is fairness. "A party should not be allowed to rely on self serving documents in its defense while withholding potentially damaging information under the guise of the attorney client privilege." A party claiming good faith reliance upon legal advice should not be permitted to "produce three opinions of counsel approving conduct at issue in a law suit and withhold a dozen or more expressing grave reservations over its legality." Preserving the privilege in such a case "is simply not worth the damage done to truth." But a court should not order disclosure of documents containing the opinion work product of present trial counsel if that work product is consistent with the opinion letter. Thus, the *Micron* court refused to require disclosure of trial counsel's opinion work product even if it was communicated to the defendant if the opinion work product did not contradict the opinion letter or recite facts that cast doubt on the opinion letter.

A bolder opinion rejecting *Thorn* is *Cordis Corp. v. SciMed Life Systems, Inc.*, 980 F. Supp. 1030 (D. Minn. 1997) (Erickson, Magistrate J.), which called the *Thorn* rule "impractical, and fundamentally unsound." Taking direct aim at *Thorn*, the *Cordis* court said that "the operative factor is not whether the underlying factual information had been shared with the Defendant, but whether that information either served, or should have served, as a factual predicate for counsel's opinion to the Defendant." Thus, defendant's counsel should be required to disclose the results of any experiments or factual developments that were omitted from the opinion because they were "inconsistent" with the opinion. "To conclude otherwise would allow the creation of an opinion of patent counsel which, while facially valid, was fraught with ineptitude, and error." Such an incompetent opinion would probably satisfy the "good faith" reliance test, but "we doubt that the law would intend, however inadvertently, to reward incompetence, or willful artifice, by insulating such opinions from searching scrutiny."

Electro Scientific Struggles with Competing Policies

Against this background of turmoil and disagreement, the highly respected Magistrate Judge Wayne Brazil issued his opinion in *Electro Scientific Indus., Inc. v. General Scanning, Inc.*, 175 F.R.D. 539 (N.D. Cal. 1997). After defendant General Scanning, Inc. ("GSI") elected to use a July 12, 1996 letter from its "opinion counsel" as part of its defense against a willful infringement suit, plaintiff Electro Scientific Industries ("ESI") sought the related work product. The court carefully weighed the competing authorities on whether the advice of counsel defense waived work product protection. Courts concluding that work product materials need not be produced reasoned that the mind at issue in a willful infringement case is the mind of the alleged infringer party, not the mind of that party's lawyer. Information that never reached the alleged infringer's mind is therefore irrelevant and not discoverable. Under this line of reasoning, documents in the lawyer's files that constitute work product but that do not constitute or reflect communications with the client remain protected from discovery.

Magistrate Judge Brazil fully agreed that the alleged infringer's mind, not the mind of its lawyer, is in issue. But documents not directly disclosing communications between the defendant and its counsel may nevertheless have significant probative value. A defendant who invokes the advice of counsel defense based on an opinion letter implicitly asserts that the opinion letter "reflects accurately the substance of all of the communications from counsel that reached [the alleged infringer's] mind...." But:

How is the trier of fact to know whether this implicit assertion by GSI is true? Is it fair, in circumstances like this, to cutoff ESI's access to evidence that might well have significant probative weight about whether this important representation by GSI is accurate? Documents in the files of GSI's counsel might be highly probative of whether GSI in fact received additional communications from counsel about the issues addressed in the opinion letter, and about whether any such additional communications included views, information, or analysis that was in any material way different from the views, information or analysis in that letter.

Thus, there was a "real possibility ... that documents in opinion counsel's work product file could reflect very different analyses and conclusions than were set forth in the one disclosed letter." If the analyses and conclusions in the lawyer's private file were "clearly at odds" with the disclosed opinion, that would support an inference that there were additional communications between client and counsel, and that those communications contained opinions that were inconsistent with the views expressed in the disclosed letter.

Of course, it would be irrational to assume that counsel communicated to the client everything he or she really thought, but it would be equally irrational to assume that there is no relationship between what counsel really thought (as reflected in her private papers) and what counsel in fact communicated to her client. "In this important sense," Magistrate Judge Brazil said, "evidence about what really was in the lawyer's mind could be quite relevant to the issue of what really was in the client's mind," and it would be "unfair, at least absent a compelling countervailing interest, to cut off access to evidence and leads of this kind." (In a footnote, the court also noted that work product materials located in the files of a party's in house lawyers "would appear to bear directly on that party's state of mind and, therefore, would be discoverable once the party elects to rely on an advice of counsel defense.")

But the fact that work product documents might lead to relevant information does not end the inquiry. We still must ask whether it is "appropriate" to penetrate work product protection, especially opinion work product. "[A]re the values and interests that would be promoted or protected by ordering limited access to opinion work product in this situation appreciably weightier than the harm that would be done to the values that support protection for opinion work product?"

In the circumstances of *Electro Scientific*, the answer was yes because the issue to which the work product materials would relate willfulness is "extremely important" and because the work product evidence could "contribute a great deal to the reliability of the truth finding process" without doing serious harm to the values that support the work product doctrine. Lawyers who advise clients about infringement, validity and enforceability "would continue to have substantial incentives to conduct thorough and thoughtful analyses" because they will continue to want their analyses to be reliable, "in part as a matter of professional pride and service, and in part to avoid malpractice actions." Nor would limited disclosure of counsel's pre-litigation analyses of infringement, validity or enforceability "jeopardize the truth finding process by enabling one side to learn the details of the other side's trial tactics," because the court was ordering disclosure only of documents that were prepared before the lawsuit was filed and that related to infringement, validity, or enforceability. Documents with "more direct tactical sensitivity, like outlines of possible questions for deponents or trial witnesses, or compilations of materials to be used to support an argument to the jury, would remain off limits."

Cynicism about Lawyers in Mosel

An opinion flatly rejecting Thorn on policy grounds is *Mosel Vitelic Corp. v. Micron Technology, Inc.*, 162 F. Supp.2d 307 (D. Del. 2000) (Sleet, J.), decided in the same federal district that decided *Thorn*. The patentee in *Mosel* sought sanctions against defendants for destroying the initial drafts of the opinion letters that served as basis for an advice of counsel defense. Defense counsel admitted destroying the drafts, but argued, relying on *Thorn*, that the drafts were not discoverable because they had never been communicated to the client. The court reacted to the *Thorn* citation with disdain, stating:

This is not that first time that this court has heard a patent attorney invoke the holding of the *Thorn* decision as if it were binding precedent. However, as the Third Circuit has made clear, "there is no such thing as 'the law of the district.'" In other words, while the opinion of one district judge may be found to be persuasive, it is not binding on another district judge (even if that judge happens to sit in the same district).

The *Mosel* court noted that *Thorn* had "recently come under attack as being too narrow or rigid." The *Mosel* court endorsed those attacks, noting that "by limiting the waiver of the privilege only to those matters which are communicated to the client, *Thorn* and its progeny have effectively encouraged patent counsel to place only the most favorable version of the facts and the law in their opinion letters, even if these attorneys are aware of other information which is far less helpful to their client." Thus, work product documents might be "highly probative." If the analyses and conclusions in the lawyer's private file were "clearly at odds with the content of the disclosed opinion," that would support an inference that there were additional communications in which opinion counsel provided opinions that were "not consistent with the views expressed in the letter." It would be "irrational" to assume that there could be no relationship between what counsel really thought (as reflected in their private papers) and what counsel communicated to the client. In this important sense, "evidence about what really was in the lawyer's mind

could be quite relevant to what really was in the client's mind." The *Mosel* court then assaulted *Thorn* head on:

Thorn effectively encourages patent attorneys to deliberately omit damaging information from their opinion letters in order to insulate their clients from a finding of willful infringement. Furthermore, because both attorney and client know why the advice of counsel is being sought, their relationship has the potential to be premised upon the understanding (whether explicit or implicit) that only favorable information should be disclosed. This court ... does not believe that the law should encourage or reward, even if inadvertently, the creation of opinion letters that, while facially valid, are "fraught with ineptitude [or] error" in an effort to protect the client. Therefore, in this court's opinion, to the extent that *Mosel* relied on *Thorn* as an automatic shield for the work product of its patent counsel, it did so at its own peril...

Accordingly, the court held that the destroyed drafts were discoverable and that Micron's counsel should be sanctioned for destroying them.

Can BLACK'S LAW DICTIONARY Decide the Issue?

In *Novartis Pharmaceuticals Corporation v. Eon Labs Manufacturing, Inc.*, 206 F.R.D. 396 (D. Del. 2002) (Farnan, J.), the court ultimately rejected *Thorn* based on a legal theory. The alleged infringer, Eon, produced an opinion letter from its patent counsel concluding it was "unlikely" that Eon was infringing the patent in question. Novartis, citing *Mosel* contended that all information relied upon by Eon's patent counsel in forming this opinion was discoverable even if it was not communicated to Eon because "it is highly probative of the accused infringer's state of mind." Eon, relying on *Thorne*, argued that documents considered by its patent counsel but not communicated to Eon were "protected as work product and not discoverable because they are irrelevant to the alleged infringer's state of mind."

The court examined *Thorn* and *Mosel*, but then took a third approach. The starting point for the analysis was the infringer's decision to waive the attorney client privilege. The court quoted the definition of "waiver" in BLACK'S LAW DICTIONARY: "the voluntary, intentional relinquishment of a known right." Based on this abstract premise, the court reasoned that by invoking the advice of counsel defense to a charge of willful infringement, that party has "expressly" waived not only the attorney client privilege but also work product protection. Once these privileges are waived, "everything with respect to the subject matter of counsel's advice is discoverable, despite the protection that is normally afforded to attorney client communications and work product material."

This line of reasoning does not hold water. Given that the courts are divided on whether waiver of attorney client privilege also waives work product, it seems farfetched to conclude that a defendant who waives the attorney client privilege has "expressly" waived work product protection.

A Thorough Analysis from Michigan

A lengthy analysis of all viewpoints is found in *Karl Muth Co. v. BingLear Mfg. Group, L.L.C.*, 219 F.R.D. 554 (E.D. Mich. 2003) (Pepe, Magistrate J.). The court recognized that some opinion letters may be "cosmetic" or dishonest, but:

[B]efore assuming that all patent counsel have been less than forthcoming, deceptive, and blinded by their "adversarial squint," courts should require some additional showing a "plus factor" before adopting the broadest reaches of waiver of work product, particularly with trial counsel.

A "plus factor" might arise, for example, if a court genuinely suspects that trial attorneys in the same firm as the opinion writer have "manipulated the information" provided to the opinion writer, or if a judge suspects that trial counsel will "play cute by carefully circumscribing information provided to opinion counsel and even possibly editing the written opinion" as part of the trial strategy. In those situations, "fairness may require greater disclosure of work product." But if trial counsel's written opinions are thorough and address plaintiff's arguments adequately, "courts should provide trial counsel the safe harbor for other work product that Rule 26(b) anticipates." This approach reflected the court's belief that honest and competent members of the patent bar are "hopefully the overwhelming majority" and have adequate incentives to provide thorough and balanced opinion letters.

More Support for Thorn and for Lawyers: *Chimie v. PPG Industries*

Another thoughtful opinion refusing to assume that patent lawyers are dishonest is *Chimie v. PPG Industries*, 218 F.R.D. 416 (D. Del. 2003) (Jordan, J.). The court began by observing that under current willful infringement jurisprudence, litigation resources "are heavily invested in delaying the moment when an accused infringer must choose between relying on advice of counsel or maintaining typical privileges, or in seeking bifurcation on the issue of willfulness, or in trying to control the scope of waiver, once the advice of counsel route is taken." Within the District of Delaware alone, the court noted, at least three different approaches to the scope of waiver had developed: Thorn, Mosel, and Novartis. These varying approaches to waiver are "a matter of consternation" to attorneys and clients, so *Chimie* endeavored to choose the best approach.

Examining and quickly rejecting *Novartis*, *Chimie* held that "a waiver of the attorney-client privilege does not, in and of itself, constitute a waiver of the protections afforded by the work product doctrine."

Next, *Chimie* examined *Mosel*, which asserted that automatic waiver of work product was necessary to ensure the quality of opinion letters. *Chimie* tested this assertion by analyzing two possibilities:

The first possibility is that of a lawyer willing to falsely assert that he or she has turned over all communications between counsel and client bearing on the issues in the opinion letter, while secretly holding back "what [counsel] in fact communicated to the client." The second possibility... is that the system of obtaining opinion letters regarding infringement and validity has become so corrupt that clients and attorneys both know, without any need to communicate it to one another, that what the client really wants is a false or misleading opinion that hides the true findings and opinions of the attorney.

Both of those possibilities assumed that lawyers or clients (or both) are dishonest. Opening the lawyer's files to an adversary by declaring an automatic waiver will not cure the problem because it will not lead a dishonest lawyer to keep honest files. Rather, automatic waiver will simply "drive the 'real' information and the decision to be dishonest deeper into the shadows." Thus, an automatic waiver rule gives lawyers "an incentive to keep incomplete or misleading files." It will neither satisfy legitimate discovery interests nor blunt the perverse incentives that confront lawyers who write opinion letters with an eye on willful infringement litigation.

The better course, the *Chimie* court said, is to accord an attorney's work product "almost absolute protection from discovery" because the adversary system works best by maintaining the privacy of an attorney's thought processes and requiring each side to rely on its own wits in preparing its case. A general rule respecting work product protection increases the likelihood that counsel's files will be "a foundation for well informed and properly memorialized advice" and that "when it is necessary to open those files to scrutiny, something honestly reflecting counsel's thought processes will be there for review."

Similar reasoning animates the recent opinion in *Simmons, Inc. v. Bombardier, Inc.*, 221 F.R.D. 4 (D.D.C. 2004) (Huvelle, J.), which cites *Chimie* approvingly and rejects the broad waiver doctrines articulated in *Mosel* and *Novartis*. The *Simmons* court acknowledged that the narrow waiver approach taken in *Thorn* left open the potential for abuses, but *Simmons* refused to "presume dishonesty" or to assume, in the absence of any contrary evidence, that drafts of counsel's opinions never communicated to the alleged infringer are nevertheless somehow probative of the alleged infringer's state of mind.

S.D.N.Y. Has the Last Word (So Far)

The latest case on this topic is *Convolve, Inc. v. Compaq Computer Corp.*, 2004 WL 1178783 (S.D.N.Y. May 28, 2004) (Francis, Magistrate J.). The court recognized that the "central split in authority" concerns "uncommunicated work product" work product that was not disclosed to the client. Defendant Seagate had separately retained independent opinion counsel to render the opinion on which Seagate relied as the basis for its advice of counsel defense, and trial counsel "played no role in selecting Seagate's opinion counsel" or drafting the resulting opinions. The *Convolve* court concluded:

Where there is no evidence that trial and opinion counsel have conspired to create a "sham opinion" to gain an unfair advantage in litigation, production of the uncommunicated work product of trial counsel is unwarranted.

The court rejected the contention that uncommunicated work product must be disclosed for fear that witnesses are not candid about what was communicated. "Attorney work product could frequently be useful in challenging the credibility of a witness," the court said, "but the mere suspicion that that might be the case is an insufficient basis for requiring its disclosure." For these reasons, the court denied the plaintiff's motion to compel discovery of material withheld on the basis of "uncommunicated" work product, but ordered disclosure of all "communicated" work product a result very much in line with *Thorn*.

Conclusion

Judge Jordan observed in *Chimie* that "a whole subspecialty of opinion practice has developed as part of infringement defense strategy," and judicial theories about the relationship between the adviceofcounsel defense and waiver of work product protection have proliferated and evolved for more than a quarter century. The aim of evolution is improvement, and opinions like *Chimie* and *Convolve* suggest that this improvement is taking place. *Chimie* and *Convolve* recognize that protecting work product is vital to the adversary system, and they wisely reject automatic waiver of work product protection whenever a willful infringement defendant invokes the advice of counsel defense. I hope evolution in this direction will continue.

Roy Simon is the Howard Lichtenstein Distinguished Professor of Legal Ethics at Hofstra University School of Law and is the author of SIMON'S NEW YORK CODE OF PROFESSIONAL RESPONSIBILITY ANNOTATED (Thompson West). The 2004 edition has just been published.