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The Changing Scope of Privilege and Work Product Immunity Waiver

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Special to the Legal

The law surrounding an accused patent infringer's defense to willful infringement and the impact of potential waiver of attorney-client privilege and work product immunity continues to evolve.

Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp. held that a failure to rely on an opinion of counsel would no longer lead to an adverse inference that the opinion was negative. However, that decision left in place the affirmative duty to act with due care when confronted with a patent that could impact a potentially infringing product or process.

To date, despite absence of the adverse inference, potential infringers continue to rely on the competent opinion of counsel that the patent is invalid, not infringed or unenforceable in defense of willfulness. However, when relying on an opinion, most accused infringers know that they must waive attorney-client privilege and, until recently, could expect broad waiver of attorney work product immunity.

Case law in the past has taken varied positions on the scope of such privilege waivers substantively, temporally and with respect to the potential impact on trial strategy documents. It is fairly well settled that the substantive scope of waiver extends to the general subject matter of the opinion. Evaluation of the temporal scope of waiver to date has been impacted by whether the accused infringer continues to rely on the opinion of counsel while continuing to infringe during the trial period and whether

the same counsel is serving as opinion counsel and trial counsel.

Courts have struggled to balance preventing an accused infringer from using advice of counsel as both sword and shield during litigation against the importance of attorney-client privilege to protect the free exchange of information in seeking advice of counsel and of privilege and work product immunity to protect the accused infringer's counsel trial strategy.

However, work product waiver up until May 1 was typically waived reasonably broadly in the same manner as the scope of waiver of attorney-client privilege once the opinion was relied upon as a willfulness defense. Prior arguments in support of a broad waiver of work product privilege were based on concerns as to the competency of the opinion, the reasonableness of the accused infringer in relying on the opinion and/or the potential that the accused infringer sought an improper opinion.

Attorney work product documents obtained in discovery can lead to evidence showing whether the information relied upon to support the opinion is consistent with the opinion, consistent with information provided by the client, demonstrates a lack of belief by opinion counsel in the analysis expressed in the opinion and/or reflects views by the accused infringer suggesting a lack of belief in the analysis.

While waiver allows for discovery of such important documents, concerns remain regarding the ability to protect the attorney's thought process and mental impressions unrelated to the infringer's state of mind. Such issues were directly addressed by the



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Federal Circuit (CAFC) in an opinion resulting from a petition for writ of mandamus during the *TiVo v. Echostar Communications Corp.* litigation.

That opinion, *In re Echostar Communications Corp.* sets forth the categories of work product documents that could be sought in discovery and also addresses the scope of waiver in the context of in-house opinions.

In *Echostar*, Echostar sought, but did not rely upon, opinions from outside counsel and relied only on an opinion from its in-house counsel obtained prior to trial. The trial court acted precisely as noted above giving a broad waiver of work product immunity for the subject matter of the opinion with respect to all of the opinions rendered. Further, the court held that the temporal scope of the waiver extended through the litigation phase, but allowed for redaction of documents for litigation strategy information unrelated to the subject matter

of the waiver. The court reasoned that such documents could have relevance or lead to admissible evidence concerning the nature of what was actually communicated.

The CAFC confirmed that CAFC federal law applies to the scope of attorney-client privilege waiver in the patent context and that a waiver will extend to all attorney-client communications, including internal communications between employees in the company and in-house counsel that rendered the in-house analysis. The court commented that the in-house versus outside counsel nature of the opinion may be relevant to opinion strength, but is subject to the same basic waiver rule.

In contrast to the broad scope of privilege waiver, the court took a narrower view of the waiver of work product immunity. Citing that it is important to protect the thoughts and impressions of an attorney in trial preparation to avoid sharp practices of the opponent, the court recognized precedent distinguishing “factual” work product from “opinion” work product and then enumerated three general, but not exclusive, categories of work product typically associated with opinion of counsel situations which have different implications regarding waiver of immunity.

The broad scope of waiver of work product immunity applies to documents that are or embody a communication between attorney and client related to the subject matter of the opinion. Such documents have implications as to what the client knew and its state of mind in relying on the opinion.

The second category of documents noted are those that involve attorney mental impressions, such as analysis of law, facts, trial strategy and similar documents, that were not communicated to the client. These documents are protected from waiver since they do not reflect the client’s state of mind as having never been communicated. Documents referencing attorney-client communications that were not themselves communicated were treated differently. The court found such documents to be subject to waiver, but with the caution that other information in the document reflecting other work product information likely not communicated to the client should be redacted.

The CAFC decision, while cutting back on overly broad waivers of work product immunity, confirms a broad attorney-client privilege subject matter waiver as well as suggesting a temporal waiver clearly extending

through trial for accused infringers who continue to sell and rely on the opinion through trial. Further, the language is not limited to who counsel is. It does not draw a distinction between in-house, opinion or litigation counsel, and, instead says that in-house versus outside counsel is not a valid distinction.

While the express issue of whether a trial counsel who is not also opinion counsel would be subject to the waiver of privilege or work product immunity was not before the court, language in the opinion could be argued in other cases and may suggest room for such a waiver in future CAFC decisions based on the reasoning that was applied. The court’s language broadly states that if the accused infringer continues to rely on advice of counsel through trial, his state of mind including advice from all counsel is relevant to whether such reliance is reasonable. The broad subject matter areas are pivotal substantive areas during patent trials.

In prior cases, courts have struggled with trial counsel waivers particularly when trial counsel and opinion counsel are from the same firm. But previously, concerns were principally based on preventing unfettered access to litigation strategy documents through work product waiver. Now such documents are protected, making waiver applicable only to communications with the accused infringer on the subject matter of the opinion of counsel. As such, waiver is less likely to lead to abuse of trial strategy documents and other internal law firm exchanges.

How can clients minimize risk under the court’s broad waiver rules? From an in-house strategy perspective, more care and attention should be paid to minimize inadvertent communications between employees and in-house counsel if an opinion is being done in-house. Further, opinion shopping to various law firms to obtain an opinion consistent with in-house views or which would “present” well at trial should be avoided where possible. In-house factual investigations should proceed at counsel’s direction but with care toward the nature of the communications. Counsel’s notes and mental impressions not communicated should be clear and preferably not intertwined with documents referencing attorney-client communications to the extent practical.

Most importantly, even when careful policies are adopted in-house, more questions should be asked and more criteria evaluated

when selecting outside counsel for opinion counsel. Inquiries should be made into specifically who will be analyzing the issues and/or writing the outside opinion of counsel.

Clients should satisfy themselves that selected outside counsel use proper document management and communications channels consistent with *Echostar* and the scope of waiver. Among such considerations should be whether and under what circumstances to exchange draft written opinions, what the opinion attorney’s general practice is concerning retention of documents underlying an opinion of counsel, whether the opinion is being done at a time which is “in anticipation of litigation” and how and by whom information is communicated to outside counsel for preparing the opinion and analysis. Further, clients should meet with particular suggested opinion counsel to determine whether such attorneys would be strong witnesses to support the underlying opinions through depositions and trial testimony should the need ever arise.

All of the foregoing issues surrounding communications and potential discovery documents, as well as the potential impact of a weak opinion or weak opinion counsel witnesses that are considered at the time of seeking the opinion, should also be carefully and strategically analyzed at the litigation phase as part of early litigation strategy and planning. Having such knowledge and understanding is important when an accused infringer is making the decision of whether to rely on opinion of counsel advice previously obtained or to attempt to defend a charge of willfulness based on other exculpatory facts, if they exist.

Further, clients should become more proactive in avoiding infringement generally as a matter of practice using positive strategies as a matter of policy, including early stage design around strategies, shaping research and product development toward unique products while avoiding overly close products, licensing when appropriate and working closely with opinion counsel to achieve constructive, solid opinions. Such opinions require providing clear, thorough and accurate information to opinion counsel, carefully reviewing and understanding the opinion once rendered and ensuring that someone in a position of responsibility is able to reasonably rely on the opinion on behalf of the company. •