

Willfullness and Discovery in the Wake of Knorr-Bremse

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I. Abstract

The Federal Circuit’s recent *en banc* decision in *Knorr-Bremse v. Dana Corp.*² seemingly changes the willful infringement landscape and the need for freedom to operate opinions. Significantly, it eliminates an adverse inference when an accused party does not rely on “advice of counsel” as a defense to a charge of willful infringement. This has a myriad of effects on litigation, candor in lawyer-client communications, selection of counsel, and the choice of affirmative defenses.

A more detailed analysis of the *Knorr-Bremse* decision, however, shows that it does not obviate the need to seek the advice of competent counsel before engaging in conduct that is potentially infringing. In fact, it is likely that in the post-*Knorr* world, there will be an increased flow of information between client and counsel. Moreover, opinions of counsel will be more valuable to a client, because the fear of broad privilege waiver may be allayed by the new, non-prejudicial option of maintaining the privilege and keeping the opinion confidential.

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

II. The Pre-Knorr Landscape

To willfully infringe a patent, the accused must know of it first. Therefore, in certain highly competitive, fast-developing fields, company employees are discouraged from reading competitor's patents.³ If a manufacturer's employees never knew of the patent, for instance, the manufacturer would not have to spend thousands of dollars to obtain each freedom to operate opinion and could not be accused of willfulness for failing to meet their affirmative duty of care.

The long-term consequences of not reading patents, however, were unsatisfactory. Researchers were intellectually stifled and the goal of the patent system — disclosure and inventive progress in exchange for a limited monopoly — was being undermined by a fear of being charged with willful infringement. In short, the Constitutional mandate “To promote the Progress of Science and useful Arts”⁴ was being frustrated. Inventiveness, and therefore economic growth, was limited.

Besides this, the fear of a willfulness charge also altered the legal landscape. Before the Federal Circuit's September 13, 2004 decision in *Knorr-Bremse*, the failure to produce an opinion of counsel as a defense to a willful infringement charge resulted in an adverse inference that the accused infringer either never sought an opinion of counsel or was provided with a negative opinion. This had a significant impact since willfulness was alleged in 93% of cases filed in the last 20 years.⁵

One study of Pre-*Knorr* litigation showed that not waiving privilege resulted in a finding of willful infringement in 84.2% of bench trials and 56.1% in jury trials where it was litigated pre-*Knorr*.⁶ Producing an opinion of counsel, although wrought with other consequences – such as the potential for a broad waiver of privilege and providing the patentee significant insight into the infringer's substantive defenses early in the litigation process⁷ – was statistically effective in defending against a charge of willfulness. Willfulness was found in only 44.8% of bench trials and 55.8% of jury trials.⁸ These findings clearly highlight the impact of the adverse inference.

The adverse inference was permitted because, courts reasoned, if a defendant failed to produce an opinion of counsel, then most likely that party either did not care enough to get one (*i.e.*, ignoring their duty of due care) or got an unhelpful opinion and knew there was infringement. Nonetheless, legitimate reasons may exist for withholding an exculpatory opinion of counsel even when it shows the accused acted with due care. These include the possibility that the accused infringer learned of additional, better prior art during the litigation and the prior art relied upon in the opinion was inconsistent, intended to rely on a dif-

3. See, e.g., Mark A. Lemley and Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley Tech. L.J. 1085, 1100-1101 (2003); Thomas Presson, *Knorr-Bremse and Questions about Production of an Exculpatory Legal Opinion and the Adverse Inference*, 44 IDEA 409, 431 (2004); Testimony of Brian Kahin, U.S. Fed. Trade Comm. – Dept. of Justice, *Public Hearing on Competition and Intellectual Property Law and Policy in the Knowledge Based Economy*, Mar. 19, 2002, at 56. (“The attorney says no. Our counsel says no, don't read them. Willful infringement. Don't do it”).

4. Art I., sec. 8, ¶8.

5. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227, 232 (2005).

6. *Id.* at 239.

7. See *Id.* at 232-233.

8. *Id.*

ferent defense at trial than was used in the opinion which also would be inconsistent, or that the claim construction used at trial is different than that relied upon in the opinion thereby undermining the reliability of the opinion.⁹ These reasons, while relevant to strategically withholding an opinion, did not excuse the failure to produce an opinion in the pre-*Knorr* world.

III. The *Knorr* Decision

The Federal Circuit's *Knorr* ruling eliminated the adverse inference. In doing so, the court recognized the impact its prior decisions creating the inference had on the attorney-client relationship.¹⁰ *Knorr* did not change the "affirmative duty of due care to avoid infringement of the patent rights of others."¹¹ It also refused to hold that a substantial defense presented at trial would, in and of itself, defeat willfulness. Instead, it essentially adopted a totality of the circumstances type of analysis, although it did not indicate whether a failure to obtain an opinion of counsel indicated a lack of due care.

IV. Confidentiality After *Knorr*

It is against this backdrop, where concerns over willfulness potentially have thwarted Constitutional goals and harmed both innovation and attorney-client interactions, that the Federal Circuit took the issue of willfulness and opinions of counsel *en banc* in *Knorr*. The resulting decision effectively changed the balance on these issues. Not only does it directly alter willfulness litigations, but are those that it has on the internal research departments of a company and on the attorney-client relationship of the company and outside opinion counsel.

A. Research and Development

Before *Knorr*, many companies discouraged research-and-development departments from seeking out and reading the patents of their competitors because of the potential exposure to claims of willful infringement.¹² The *Knorr* decision has not, of course, eliminated the affirmative duty to exercise due care in avoiding infringement. But it should facilitate a freer flow of information where researchers can read a competitor's patents and employers can obtain opinions of counsel without the same degree of concern as previously existed. This will generate renewed interest in patented technologies that would otherwise be disregarded and, in turn, may create a greater demand for licenses.¹³ Alternatively, it may allow manufacturers to avoid engaging in costly infringement suits or paying excess licensing royalties or costs. Because manufacturers will be on notice more often and sooner, they will have more time to either design around a potentially

9. Presson, *supra* n.3, at 428. This balance was known as the "*Quantum Dilemma*," after the case of *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991).

10. See *Knorr*, 383 F.3d at 1344 ("the inference that withheld opinions are adverse to the client's actions can distort the attorney-client relationship, in derogation of the foundations of that relationship").

11. *Id.*

12. National Research Council of the National Academies, *A Patent System for the 21st Century* 119 (Stephen A. Merrill et al., eds., 2004); Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy*, ch. 5, at 29 (Oct. 2003); see note 3, *supra*.

13. Edwin H. Taylor & Glenn E. Von Tersch, *A Proposal to Shore Up the Foundations of Patent Law that the Underwater Line Eroded*, 20 *Hastings Comm. & Ent. L.J.* 721, 742 (1998).

infringed patent (thus further fostering innovation) or make an early business decision not to enter a market before patent expiration.

B. Communicating with Counsel

A manufacturer's communications with outside counsel in the post-*Knorr* regime should be dramatically different in several ways. First, the Hobson's choice of whether to assert advice of counsel as a defense or suffer the adverse inference for failing to do so is removed. This means there is less likelihood that the client will be inclined to withhold potentially damaging information from the opining lawyer and, in turn, the opining lawyer will not feel as pressured to issue a positive opinion. Clients consequently will receive a more helpful and relevant opinion.

Since the lawyer-client communications will not be subject to broad waivers automatically, the candor in the relationship between the lawyer and client will be enhanced. Due to the broad waiver when an accused relied on an advice of counsel defense, the "consequences of waiver" vs. "adverse inference" trade-off often can be a close call. After *Knorr*, however, opinions may be relied upon without the pressure to do so. Since the client will have the option to withhold the opinion of counsel without prejudicing itself, truthful and frank communication will occur more often.

The new promise that lawyer-client communications will never *have* to be disclosed, as was essentially the case before *Knorr*, will induce some major changes to lawyer-client communications. Most notably, clients can receive the best and most accurate advice of counsel.¹⁴ Previously, there was pressure on opinion counsel to draft the opinion with an eye toward litigation. The dilemma some felt between expressing the opinion with full candor at the risk of providing the client with a weak opinion or drafting a solid opinion that was in reality not very helpful to the client will not loom as ominously with the removal of the adverse inference.¹⁵ Counsel can provide frank and helpful opinions to the client that the clients can then better use to formulate their decision of whether to operate.

For the same reasons, the client can communicate more freely with counsel, as the nature of the communications will not presumptuously be disclosed without the adverse inference. This will promote the creation of more meaningful opinions. Prior to *Knorr*, clients had an incentive to withhold some details from counsel to get the opinion that they would need at trial. With a guarantee of confidentiality, the client can more comfortably keep counsel fully apprised of all relevant details of a potential infringement.¹⁶ Thereafter, clients will be in a better position to determine the business value of the contents of more relevant and meaningful opinions of counsel.

14. See, e.g., Jared Goff, *The Unpredictable Scope of Waiver Resulting from the Advice-of-Counsel Defense to Willful Patent Infringement*, 1998 B.Y.U.L. Rev. 213, 229 (1998) ("[counsel] cannot adequately prepare [an opinion letter] if they avoid writing down their thoughts and analysis because they fear the adverse party's counsel may discover such documentation in subsequent litigation").

15. See, e.g., Lemley, *supra* n.3, at 1103-1104 ("the importance of the letter reading favorably for the accused infringer's case is so great that no competent patent counsel would send written advice to a client with the bad news that they likely infringe a valid patent except under extraordinary circumstances").

16. See generally *Knorr-Bremse: The Federal Circuit Changes the Law on Opinion of Counsel*, I.P. Lit. Rep. Nov. 9, 2004; Scheinfeld & Bagley, *Knorr-Bremse: Court Overrules Drawing Adverse Inferences*, 232 N.Y.L.J. 58 (Sept. 22, 2004).

The net effects of *Knorr* to the infringement landscape are that (1) increased research in R&D departments, based upon understanding the competitive environment and advances, will lead to more discoveries of potentially infringing operations; (2) manufacturers can freely communicate their concerns to counsel with a greater reliance that the communications will be subject to privilege without any adverse inference as a result of invoking that privilege; (3) counsel can communicate opinions more openly and specifically without necessarily prejudicing their client; and (4) clients will be better informed to make decisions regarding their freedom to operate without committing infringement.

V. Waiver of Privilege

A key question unresolved by *Knorr* is the scope of any waiver of the attorney-client privilege should an accused still decide to rely on an advice of counsel defense. The Federal Court has not addressed this issue directly. So while the issues are not clearly answered, there are some guidances from district court decisions for what remains a problem – how to encourage communications between client and counsel with fear of a broad waiver. Courts have differed in how they focus the relevant waiver inquiry, but the scope of waiver is usually evaluated on either a subject matter, state of mind, or temporal basis.

A. Scope of Waiver (Subject Matter)

Unfortunately, the only thing consistent about district court decisions on the scope of waiver is the inconsistency. As one court wrote:

“It is important to emphasize that decisions about the scope of waivers must be case and circumstance specific — and that analytically material differences in circumstances may well justify different outcomes, even among courts that apply the same basic principles or use identical decision models.”¹⁷

Generally, once an accused infringer asserts an advice of counsel defense, he waives privilege as to all communications involving the subject matter of the opinion, including other opinions regarding the same patents and privileged information from other counsel involving the same subject.¹⁸ This waiver is intended to prevent an infringer from obtaining multiple opinions from various counsel and then selecting to produce only the one most favorable for use at trial. Thus, it is impossible to rely on an assumption that there will be limits on any waiver.

Presumptuously, the waiver includes at least documents and other communications seen by the client. However, it may also include all relevant documents in the possession of counsel, even if the client has never seen or known of them and even if counsel was not the opinion counsel in some circumstances.¹⁹

17. *Sharper Image Corp. v. Honeywell International, Inc.*, 222 F.R.D. 621, 625 (N.D. Cal. 2004). See also Amy L. Landers, *Casenote: Intentional Waivers of Privilege and the Opinion of Counsel: Can the Scope of Disclosure be Managed?* 20 *Santa Clara Computer & High Tech. L.J.* 765, 767 (2004) (noting a troublesome lack of predictability in scope of waiver determinations).

18. See, e.g., *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 103 (S.D.N.Y. 2004); *Verizon California, Inc. v. Katz Tech. Licensing, L.P.*, 266 F. Supp. 2d 1144, 1149 (C.D. Cal. 2003) (quoting *Minnesota Specialty Crops, Inc. v. Minnesota Wild Hockey Club, L.P.*, 210 F.R.D. 673, 678 D. Minn. 2002); *Nitinol Medical Tech., Inc. v. AGA Medical Corp.*, 135 F. Supp. 2d 212, 217 (D. Mass. 2000) (“deliberate injection of the advice of counsel defense into a case waives the attorney client privilege”).

The only court to comment on this subject significantly since the *Knorr* decision concluded that waiver should be “only as broad as necessary to assure fair disclosure on the subject matter of the advice” and, further, that “because obtaining an opinion of counsel to defend against willfulness was close to compulsory in the pre-*Knorr* time frame, waiver should be construed narrowly (citing *Knorr*).”²⁰ This type of logic, though confined to one decision, may suggest that opinions rendered before *Knorr* should receive narrower accompanying waiver because getting an opinion was essentially mandatory.

B. Whose State of Mind Is It Anyway?

The decisions of various federal district courts and their split on the scope of any waiver when producing an exculpatory opinion of counsel highlights a fundamental disagreement as to whether opining counsel’s state of mind is relevant to a willfulness determination. The Federal Circuit has not explicitly stated its position regarding the applicability of counsel’s state of mind to the willfulness inquiry, but the better informed view is that waiver should not extend to subjects that were not part of lawyer-client communication; they are irrelevant to the accused infringer’s state of mind, which is the relevant inquiry.²¹

The Federal Circuit has stated that it is the alleged infringer’s state of mind that governs in a willfulness inquiry, explaining that “[w]illfulness requires a determination of the state of mind as to the alleged infringer.”²² Therefore, as long as the opinion is “thorough enough...to instill a belief in the infringer that a court might reasonably hold [that] the [adversary’s] patent is invalid, not infringed, or unenforceable,”²³ other issues don’t matter. Thus, what counsel *otherwise* knew, or even the accuracy of the opinion when judged after extensive discovery or even testing, should have no bearing on a determination of the accused infringer’s willfulness because it does not speak to the state of mind of that alleged infringer. Recognizing this logical progression, several federal courts have refused to allow the production of information that was solely within the knowledge of opining counsel and was never communicated with the client.²⁴

In *Simmons v. Bombardier*,²⁵ for example, the court denied waiver of draft opinions as irrelevant to the willfulness determination because the client had never seen them. The court went on to point out that courts “adopting the broad approach [to waiver] ... improperly focus upon the attorney’s state of mind as the relevant inquiry.”²⁶ Under this

19. See note 16, supra.

20. *Terra Novo, Inc. v. Golden Gate Products, Inc.*, 2004 U.S. Dist. LEXIS 20429 at *6 (N.D. Ca. Oct. 1, 2004)

21. See, e.g., Goff, *supra* n.12, at 233, (explaining that either under either a subjective or objective standard, “material known to the attorney, but not the client, is irrelevant”).

22. *Steelcase, Inc. v. Haworth, Inc.*, 954 F. Supp. 1195, 1198 (W.D. Mich. 1997); see also *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992) (“willfulness is a determination as to a state of mind”).

23. *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992); see also *Graco, Inc. v. Binks Mfg. Co.*, 60 F.3d 785, 793 (Fed. Cir. 1995) (same).

24. See, e.g., *Simmons, Inc. v. Bombardier, Inc.*, 221 F.R.D. 4, 9 (D.D.C. 2004); *Convolv*, 224 F.R.D. at 107 (refusing to find waiver of trial counsel’s work product that was not communicated to accused infringer); *BASF Aktiengesellschaft v. Reilly Indus.*, 283 F. Supp. 2d 1000, 1004 (S.D. Ind. 2003); *Nitinol*, 135 F. Supp. 2d at 218-219; *Steelcase*, 954 F. Supp. at 1199 (“the infringer’s intent, not that of counsel, is the relevant issue”); *Thorn EMI N. Am., Inc. v. Micron Tech., Inc.*, 837 F. Supp. 616, 621-622 (D. Del. 1993).

25. 221 F.R.D. 4 (D.D.C. 2004).

26. *Simmons*, 221 F.R.D. 9 at n.6.

approach, then, draft documents or other internal documents and communications never seen or heard by the accused should retain their privilege despite production of an exculpatory opinion because they could not have factored into the client's decision.

Other courts, however, have adopted the alternate approach and allowed discovery of opinion counsel, despite the fact that it should not be relevant to the defendant's willfulness.²⁷ In *Novartis v. Eon Labs*, for instance, the District of Delaware permitted broad waiver of privilege, including work product, by determining that documents never seen by the accused infringer could be relevant to his state of mind because "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] in fact communicated to [the] client."²⁸

VI. How to Minimize the Scope of Any Waiver

A. Structuring Communications and Document Flow

Although the ultimate extent of waiver is largely in the hands of the district courts, accused infringers can confine its practical scope by carefully cataloging and identifying communications with opinion counsel to allow the ready identification of disclosed materials.²⁹ By creating a precise, reliable record of what is communicated and provided, an accused infringer can effectively circumscribe and define discoverable subject matter. Transmittal letters or e-mails to opinion counsel should be dated (see the discussion of the timing of the waiver, *infra*), contain particularized "RE" lines, and enumerate in detail any enclosed materials.

Nevertheless, an exhaustive inventory of communications may be difficult. Although documents reviewed and formal transmittals can and should be logged and identified, this is often the less probative (and probed during discovery!) communications. The real object of discovery is oral communications – the free flow of conversation and interactions before, during and after the delivery of the formal opinion. Unfortunately, the details of oral communications that are not recorded in a fixed medium will seldom be recalled if discovery is ordered months or years after the fact, thereby justifying broad discovery waivers. Such a record could help dispel any inference that opinion counsel provided a verbal opinion that was inconsistent with the final opinion rendered or discussed "spinning" certain "facts." Therefore, paper records of telephone conversations or minutes of meetings can be made to memorialize the substance of these communications.

27. See, e.g., *Novartis Pharm. Corp. v. EON Labs Mfg., Inc.*, 206 F.R.D. 396 (D. Del. 2002); *Greene, Tweed of Delaware, Inc. v. DuPont Dow Elastomers, L.L.C.*, 202 F.R.D. 418, 420-422 (E.D. Pa. 2001); *Electro Scientific Indust., Inc. v. General Scanning, Inc.*, 175 F.R.D. 539, 545-546 (N.D. Cal. 1997); *Mushroom Assocs. V. Monterey Mushrooms, Inc.*, 1992 WL 44892 at *5 (N.D. Cal. May 19, 1992).

28. *Novartis*, 206 F.R.D. at 7, quoting *Mosel Vitellic Corp. v. Micron Technology, Inc.*, 162 F. Supp. 2d 307, 312 (D. Del. 2000). See *Aspex Eyewear, Inc. v. E'lite Optik, Inc.*, 276 F. Supp. 2d 1084, 1096 (D. Nev. 2003) (requiring disclose of all documents the opinion counsel reviewed, considered, or authored in drafting the opinion).

29. See Landers, *supra* n. 16, at 774.

VII. Damage Control

A. Timing Waiver

Typically, opinions are provided by counsel already well-known to a client. That is, attorneys who have a relationship with the accused infringer and have commented on many topics, sometimes in related technology and sometimes on the lead-up to litigation, are consulted. This then points to the question – are those other communications subject to waiver too? Thus, not only is the subject matter of the waiver uncertain when invoking the advice of counsel defense, but the bounds of the waiver also are unpredictable. Moreover, what time period is covered by the waiver is significant to clients because it affects an accused infringer's choice of litigation counsel and the type of advice litigation attorneys feel free to give their clients.³⁰ Some courts, for example, have found broad waiver only until the point the opinion was rendered,³¹ while others have found waiver for all communications and documents from the time of initial consultation until the alleged infringement ceases, which is usually after threat or initiation of the lawsuit, if ever.³²

One chronological line of demarcation in the case law is the point in time at which the accused infringer is served with the patent infringement complaint. There is a substantial body of law that limits the waiver time-period to communications proceeding the filing of suit,³³ while an equally formidable body of law exists that has found waiver for communications after the defendant was served with the complaint particularly if the accused infringement continued after suit.³⁴

Plaintiffs typically argue that any waiver should not be limited to before service of the complaint because the accused infringer has a continuing affirmative duty to avoid infringement and, in theory at least, the defendant could begin new infringement or continue ongoing infringement after service of the complaint. Courts that deny waiver after the time of service have found that this argument is technical and speculative, noting that “[t]he confluence between this kind of theory and reality probably is rare.”³⁵ Courts that

30. See Lemley, *supra* n.3, at 1096.

31. See, e.g., *Allergan, Inc. v. Pharmacia Corp.*, 2002 U.S. Dist. LEXIS 19811 (D. Del. May 17, 2002).

32. See, e.g., *Convolve*, 224 F.R.D. at 105 (“[t]he time period of the waiver runs from the time [defendant] became aware of the patents at issue and continues until such time as [defendant's] alleged infringement ends”); *Aspex Eyewear, Inc.*, 276 F. Supp. 2d at 1096 (allowing discovery of communications after trial commenced, while acknowledging that the court “would ordinarily be inclined to impose a temporal limitation on the waiver at the point the lawsuit was filed in the absence of allegation that the defendant's willful infringement was ongoing”); *Akeva, L.L.C. v. Mizuno Corp.*, 243 F. Supp.2d 418, 423 (M.D.N.C. 2003); *D.O.T. Connectors, Inc. v. J.B. Nottingham & Co.*, 2001 WL 34104928 at *2 (N.D. Fla. Jan. 22, 2001).

33. See, e.g., *Motorola, Inc. v. Vosi Tech., Inc.*, 2002 WL 1917256 at *2 (N.D. Ill. 2002), *Carl Zeiss Jena GmbH v. Bio-Rad Labs., Inc.*, 2000 WL 1006371 at *2 (S.D.N.Y. 2000); *Dunhall Pharmaceuticals, Inc. v. Discus Dental, Inc.*, 994 F. Supp. 1202, 1206 (C.D. Cal. 1998) (“Although defendants have waived work product protection by asserting the advice of counsel defense, that waiver is not absolute. Once the lawsuit is filed, the waiver of work product protection ends. This temporal limitation follows from the enhanced interest in protecting against disclosure of trial strategy and planning. Following the filing of the lawsuit, defense counsel is engaged in critical trial preparation, often including analysis of the weaknesses of their client's case. Such analysis, while likely related to the subject matter of the asserted defense, is fundamentally different from a similar pre-litigation analysis. In comparison to work product produced prior to the filing of the lawsuit, litigation-related work product deserves greater protection”).

find waiver after service of the complaint explain that cases of the opposite view “presume that nothing that transpires during litigation should be pertinent to the client’s state of mind, [a] presumption that is not in accord with the reality of litigation.”³⁶ Unfortunately, there is little predictability in this area and, as is evident from the case law, the scope of waiver varies from case to case and court to court.

There are, however, ways that a manufacturer can control the timing of any waiver and prevent the disclosure of more information than necessary to defend with an opinion letter. The first and historically the most effective way is to retain separate opinion and litigation counsel.³⁷ Although this does not guarantee a limited waiver,³⁸ there are tactics to ensure that a defendant has the most favorable inferences. First, it is important that that new and separate trial counsel is hired at the beginning of litigation. Second, this separate counsel must be truly independent from opinion counsel and even should be from a different firm; different lawyers from the same firm do not necessarily limit the waiver.³⁹ Litigation counsel should not communicate with the opinion counsel, so that the risk of broad disclosure is further minimized. Third, the accused infringer should not ask litigation counsel to conduct an independent investigation into whether the product is infringing; if it did so, this might be considered a supplemental opinion creating a new waiver that invades the relationship with trial counsel.⁴⁰ Furthermore, any additional or supplemental theories developed by litigation counsel that undermine opinion counsel’s advice make the client less able to rely on the opinion in good faith.⁴¹ This dilemma can be avoided by deciding when litigation commences whether the opinion that will be used as a defense accurately conveys the best argument for non-infringement at the time of suit.

There are, of course, some disadvantages to retaining separate opinion and trial counsel, not the least of which is expense. The duplicative time and money needed to educate two separate sets of counsel and have them fully informed of the subject matter of the patents at issue, and then analyze then makes the matter substantially more expensive. The Biotechnology Industrial Organization (“BIO”), for instance, appealed to the Knorr panel

34. See, e.g., *Sharper Image*, 222 F.R.D. at 643 (requiring disclosure of all communications regarding whether defendant’s product infringes any of the patents in the suit “regardless of when the communications occurred”); *Akeva*, 243 F. Supp. 2d at 423; *Chiron Corp. v. Genentech, Inc.*, 179 F. Supp. 2d 1182, 1188-1190 (E.D. Cal. 2001).

35. *Sharper Image*, 222 F.R.D. at 645.

36. *Chiron*, 179 F. Supp. 2d 1188 at n.4.

37. See, e.g., *Terra Novo, Inc.*, 2004 U.S. Dist. LEXIS 20429 at *6 (finding that the “scope of waiver is limited to communications between Litigation Counsel and Opinion Counsel” and explaining that “[t]he question of whether a waiver extends to litigation counsel puts two important goals in competition: preventing unfairness resulting from the Defendant’s use of the attorney-client privilege as both sword and shield, and preservation of the confidential relationship between client and counsel”); *Collaboration Properties, Inc. v. Polycom, Inc.*, 224 F.R.D. 473, 477 (N.D. Ca. 2004) (declining to find that waiver extends to litigation counsel under any circumstances because if it does, “it is difficult to imagine how any frank communication between the client and litigation counsel on the subject of infringement could be shielded from the disclosure”); *Sharper Image*, 222 F.R.D. at 643 (insulating separate trial counsel from subject matter waiver); *Aspex Eyewear, Inc.*, 276 F. Supp. 2d at 1096 (protecting materials generated by defendant’s current litigation counsel). Incidentally, another good reason for retaining separate litigation and trial counsel pre-*Knorr* was the potential disqualification of the accused infringer’s trial counsel on the basis of the advocate-witness rule because trial counsel could be called to testify as a witness regarding the written opinion if the infringer had the same opinion and trial counsel. See Kenneth R. Adamo, *Attorney Disqualification in Patent Litigation*, 1 Alb. L.J.Sci. & Tech. 177 (1991).

for change by explaining that the opinion alone starts at \$10,000 for a simple opinion and has exceeded \$100,000 for complicated opinions.⁴² It is not hard to imagine the expense of requiring litigation counsel to become well-versed in the same art.

The post-*Knorr* landscape, however, does not necessitate, to the same extent, separating opinion and trial counsel in an attempt to avoid broad temporal waiver. The option exists, of course, to not produce any opinion and allow trusted and well-informed opinion counsel to litigate the matter without that additional defense. This tactic would entirely eliminate concerns over waiver and not constrain litigation counsel to the theories of non-infringement relied upon at the time of drafting the original opinion because the opinion will never be produced and the accompanying waiver will never need to be contemplated. Employing this option will be particularly helpful when the passage of time, further research, better case law, or more detailed thinking has persuaded trial counsel to rely upon a different theory or claim construction at trial. In the absence of a threat of adverse inference, trial counsel can feel free to craft the best possible defense in the action based on the court's claim construction and the current circumstances of the litigation, regardless of the legal underpinnings of the original, and now unused, opinion of counsel. The downside of this option, of course, is that the post-*Knorr* totality of the circumstances test could include a factor that contemplates whether an exculpatory opinion was produced, in which case this tactic could be somewhat harmful.

B. Bifurcation

Another possible protection is that a court can divide willfulness issues and decide them only after liability is considered. A court may bifurcate either just discovery or trial or both if it furthers convenience, avoids prejudice or when separate trials are conducive to expedition and economy.⁴³ A district court could bifurcate a trial or even discovery on liability and willfulness to minimize the impact of the broad waiver that comes along with asserting the advice of counsel defense.

Because the federal district courts usually follow local rules and custom with regards to procedural issues, the use of bifurcation varies widely among the courts.⁴⁴ Bifurcation, especially bifurcation of discovery, is advantageous because it minimizes the prejudice

38. See, e.g., *Akeva*, 243 F. Supp. 2d at 422-424 (holding that accused infringer must "reveal all opinions received from any source at any time with respect to the issue of infringement, even if those opinions came from trial counsel"); *Novartis*, 206 F.R.D. at 399 (granting broad waiver on communications and work product).

39. Compare *Convolve*, 224 F.R.D. at 106 ("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 un-communicated work product of trial counsel is unwarranted") with *Electro Scientific*, 175 F.R.D. at 545 (work product waived where facts showed communication between opinion and trial counsel).

40. See, e.g., *BASF*, 283 F. Supp. 2d at 1007; *Convolve*, 224 F.R.D. at 104, n.5 (opinions that triggered waiver were not obtained until after the suit commenced).

41. See Lemley, *supra* n.3, at 1107.

42. Brief Amicus Curie of BIO in *Knorr-Bremse*, at 7.

43. Fed. R. Civ. P. 42(b). See, e.g., *Novopharm, Ltd. v. Torpharm, Inc.*, 181 F.R.D. 308, 310 (E.D.N.C. 1998).

44. Compare *Princeton Biochem., Inc. v. Beckman Instruments, Inc.*, 45 U.S.P.Q.2d 1757, 1762-1763 (D.N.J. 1997) (staying discovery on willfulness until liability was adjudicated) with *Dentsply Int'l, Inc. v. Great White, Inc.*, 2000 U.S. Dist. LEXIS 13108 at *9 (M.D. Pa. Sept. 1, 2000) (refusing to stay discovery) and *Akeva*, 243 F. Supp. at 421 n.4 (criticizing bifurcation). See N.D. Cal. Pat. L. R. 3-8.

that broad waiver can introduce through evidence and the impact on the fact-finder. By determining liability first, the willfulness issue can be prosecuted more fairly and may become moot altogether if no infringement is found in the liability stage. In *Patent Holding Co. v. TG Corp*, for example, the Court explained that “bifurcation with a single jury can avoid any actual prejudice to the defendant in the presentation of the evidence and a potential for risk of confusion to the jury.”⁴⁵ Bifurcation, then, can minimize the impact of broad waiver when asserting the advice-of-counsel defense to willful infringement.

There are, of course, drawbacks to bifurcation, including limits on summary judgment concerning willfulness when discovery is bifurcated, the lengthening of the litigation, and limiting the arguments that can be presented at trial.⁴⁶ Furthermore, especially for a jury trial, bifurcation can raise significant Constitutional issues if a delay between trials or a substantial delay for willfulness discovery results in the selection of two different juries or impinges on the right to a speedy trial.⁴⁷

On the one hand, bifurcating trial without bifurcating discovery does not cure many of the underlying ills of producing an opinion – it is the discovery process itself that often is the concern. Some have argued, on the other hand, that this problem can be solved by using only one jury and conducting expedited discovery on willfulness after a finding of liability, since then the jury need only hear the additional evidence in a second phase of trial and does not need to hear duplicative information. This solution prolongs jury service, which is often an issue. Moreover, bifurcation creates a possibility that the delay between separate trials might result in the loss of one or more jurors; that loss would require the selection of a new jury. In that instance, if the issues were not truly separable, the result would be that different juries would have considered the same issue, in violation of the Seventh Amendment.⁴⁸ A court may not order separate trials, then, unless the issues are truly separable.⁴⁹

VIII. Multi-party issues

A. Collaborations/Joint Defense Agreements

The landscape for obtaining and using opinions has become more complex as allegedly broad patents have been asserted against entire industries. Thus, where multiple defendants enter into a joint defense agreement (“JDA”) to facilitate cooperation on matters of common interest without waiving privilege, producing an opinion of counsel and waiving privilege generally requires the consent of all of the parties to the defense.⁵⁰ “A

45. *Patent Holding Co. v. TG (USA) Corp.*, 46 U.S.P.Q.2d 1566, 1568 (E.D. Mi. 1998).

46. Presson, *supra* n.3, at 423-424. See also *John Hopkins Univ. v. CellPro, Inc.*, 160 F.R.D. 30, 36 (D. Del. 1995) (“this stop-and-start of a stay of discovery and separate trials undermines our goal of working to apply the rules of Civil Procedure to obtain a just, speedy and inexpensive resolution to every action”).

47. Fed. R. Civ. P. 42(b); U.S. Const. amend. VII; see, e.g., *Patent Holding Co.*, 46 U.S.P.Q.2d at 1568 (E.D. Mi. 1998) (noting that “[t]he alternative [to having a single jury for both phases] of letting a jury determine both liability and damages and reconven[ing] a different jury for a second phase solely on the issue of willfulness is cumbersome and inefficient. This alternative is likely to delay the resolution of a case for as much as six months to a year”).

48. *Smith v. Alyeska Pipeline Service Co.*, 538 f. Supp. 977 (D. Del. 1982), citing *Gasoline Products v. Champlin Refinery Co.*, 283 U.S. 494, 51 S. Ct. 513, 515, 75 L. Ed. 1188 (1931).

49. *Swofford v. B&W, Inc.*, 336 F.2d 406, 415 (5th Cir. 1964), cert. denied, 379 U.S. 962, 85 S. Ct. 653, 13 L. Ed. 2d 557 (1965); *Cedars-Sinai Medical Center v. Revlon, Inc.*, 111 F.R.D. 24 (D. Del. 1986).

consequence of the privilege is that the participants can preclude each other from unilaterally waiving it.”⁵¹ The protection afforded to parties by a JDA appears to remain intact after *Knorr*.

This problem becomes more complex, however, where defendants have jointly procured a single freedom-to-operate opinion as a bulwark to willfulness allegations. If less than all of members of the JDA are sued, no one defendant can produce the opinion and thus waive the privilege without the consent of the others – some of whom may be inclined to not disclose the opinion because they are not parties to the case. On the other hand, if the JDA members have each obtained separate, unrelated opinions, it is unlikely that a subject matter waiver as to any particular defendant with respect to any particular opinion would extend to co-defendants relying on entirely separate opinions. Obviously, problems arise where separate defendants have obtained similar opinions from the same counsel without entering into a JDA. No court has answered the waiver issue on this fact pattern directly, but if the parties have not shared privileged information, logic dictates that there is no common waiver.

IX. Is a Freedom to Operate Opinion Still the Gold Standard?

While having the advice of counsel is still an affirmative defense to willful infringement, and while it is no longer a virtual requirement, an opinion of counsel will probably still play as significant a role at trial as it has in recent years. In the absence of an adverse inference, many factors (as discussed above) militate against utilizing an opinion of counsel at trial.⁵² Nonetheless, it can be a very persuasive tool for the finder of fact.

There is still an uncertainty, however, in the scope of waiver and the multi-factorial “totality of the circumstances” analysis.⁵³ This is not to say, however, that the era of non-infringement opinions has passed. In fact, opinions of counsel may even be used more after than before. After *Knorr* they can be used more effectively for the purpose they were truly intended: to apprise a client of the realistic probability that a patentee has a valid infringement claim.⁵⁴ Though opinions of counsel may or may not be introduced into evidence as often in the coming years, they should become a more effective tool in accurately advising a client. Moreover, a favorable opinion letter will still be extremely helpful in defeating willfulness at trial and showing a defendant’s good faith, as long as the considerations of waiver and trial strategy favor its admission into evidence.

50. See *Beneficial Franchise Co., Inc. v. Bank One, N.A.*, 205 F.R.D. 212, 216 (N.D. Ill. 2001) (quoting *Ohio-Sealy Mattress Mfg Co. v. Kaplan*, 90 F.R.D. 21, 29 (N.D. Ill. 1980); *Western Fuels Ass'n, Inc. v. Burlington Northern RR Co.*, 102 F.R.D. 201, 203 (D. Wy. 1984).

51. *In re Megan-Racine Assocs., Inc.*, 192 B.R. 321, 324 (Bankr. N.D.N.Y. 1995).

52. See, e.g., Moore, *supra* n.5, at 239 (even when there was an adverse inference, willful infringement was found in 56% of willfulness cases that went to a jury, *regardless* of whether an opinion of counsel was produced as a defense). This seems to indicate that, at least in jury trials, either the adverse inference was not very harmful or opinions of counsel were not as exculpatory as one might expect. *But see Scheinfeld & Bagley, supra* n.15 (“it is still likely that having a non-infringement or invalidity opinion will remain the “gold standard” among defenses to willfulness”).

53. Before and after *Knorr*, courts will consider many factors in finding willfulness outside of an exculpatory opinion. See, e.g., *Read Corp.*, 970 F.2d at 826-827.

54. *But see* 14 Fed. Cir. B.J. 393, 396 (2005) (“The Federal Circuit has effectively disincentivized parties to seek or heed the advice of counsel”).