



Recent Patent Law Development – Impact on Accused Infringers

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A recent federal appeals court decision, *In re Seagate Technology* (Seagate) will have significant impact on two issues of importance to members of the life sciences community: attorney-client privilege and work product immunity.

The Seagate ruling addressed many issues relating to critical legal decisions, including:

- How safely an attorney can advise his/her client to settle a case or proceed to trial without compromising the client's position;
- Whether an attorney can effectively convey his/her reasoning without simultaneously harming the client's interests; and
- What the attorney must do to balance his/her responsibilities of engaging in the right dialogue without compromising the client's protection.

Background

When a company is sued for patent infringement, the party bringing the lawsuit (the patentee) can also ask the court to award extra damages for willful infringement. Willful infringement is essentially, as one court described it, infringement that is not "accidental or innocent." So, when a company (the accused infringer) is accused of

patent infringement, it often seeks an opinion from a patent attorney (opinion counsel). If the opinion counsel gives the company the "green light" to continue its activities and then gets sued, it can rely on the opinion of the patent attorney to argue that it did not infringe "willfully" in an attempt to avoid the extra damages.

The patentee alleging this willful infringement normally wants to learn about the true state of mind of the people in the company during the time of the alleged infringement. They want to be able to prove that the people in the company knew that their activities were infringing. So, they seek, through a legal procedure called "discovery" to obtain documents and communications between the accused infringers and others.

Two concepts, attorney-privilege and work product immunity, limit this discovery. The attorney-client privilege limits this discovery by protecting communications between a client and his or her attorney, keeping those communications confidential. Work-product immunity protects materials prepared in anticipation of litigation from discovery by opposing counsel.

In the *Echostar* decision, the court had held that if an accused infringer

chooses to rely on the "green light" of opinion counsel, then he or she waives the right to use the attorney-client privilege and the work-product doctrine. The court stated, somewhat ambiguously, that this waiver applied to any attorney-client communications relating to "the same subject matter" as the subject matter in the opinion. Thus, it was not clear whether this waiver applied to communications with opinion counsel only or trial counsel, as well.

In the wake of *Echostar*, it was not clear whether the waiver applied to trial attorneys and their clients. Indeed, many trial courts were interpreting *Echostar* as saying it did and this appeals court ruling was being applied broadly by trial courts to invade the attorney-client relationship with trial counsel. This was of great concern to the life sciences community especially, where there are many patent infringement lawsuits. Accused infringers and their trial counsel were not sure how safe their communications were, even those made during the settlement/ negotiation process.

In *Seagate*, the court held that, generally, the waiver does not extend to trial counsel communications or work product. The court stated that

"as a general proposition, ... asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute a waiver of the attorney-client privilege for communications with trial counsel." Describing the attorney-client privilege as the "oldest of privileges," the court noted that the purpose of it is to "encourage full and frank communication."

The court also noted that "as a general proposition, relying on opinion counsel's work product does not waive work product immunity with respect to trial counsel." The court noted that, unlike the attorney-client privilege, which provides absolute protection from disclosure, work product protection is qualified and may be overcome by need and undue hardship.

The court left trial courts free, however,

to exercise discretion regarding whether to extend the attorney-client and work product waiver to trial counsel, in "unique circumstances" such as "if a party or counsel engages in chicanery."

Finally, the court noted that the work product doctrine extends work product protection not only to "documents and tangible things," but to "non-tangible" work product, as well. Thus, the court in prevented the patentee from deposing the accused infringer's trial counsel. Otherwise, while attorneys' files would be protected from discovery, the attorneys themselves would not be able to assert a work product objection to being deposed.

What this Means for Future Life Sciences Litigation

The *Seagate* decision relieved many concerns created by *Echostar* for accused patent infringers and their trial counsel. Trial attorneys and their

clients can more freely discuss litigation strategy with a significantly smaller chance of facing a waiver of attorney-client privilege and/or work product immunity. Some issues, however, remain open. For example, the court declined to address waiver with respect to in-house counsel. Thus, to some degree, issues affecting the communications with and the work product of in-house counsel remain unresolved.

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