

**United States Court of Appeals**  
*for the*  
**Federal Circuit**

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IN RE SEAGATE TECHNOLOGY, LLC,

*Petitioner.*

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*On Writ of Mandamus from the United States District Court for the Southern  
District of New York in Case No. 00-CV-5141, Judge George B. Daniels*

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**BRIEF FOR AMICUS CURIAE ASSOCIATION OF THE BAR OF THE  
CITY OF NEW YORK IN SUPPORT OF NEITHER PARTY**

Peter A. Sullivan  
Chair, Association of the Bar of the  
City of New York Committee on Patents

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MARCH 19, 2007

## **CERTIFICATE OF INTEREST**

Counsel for the *amicus curiae* Association of the Bar of the City of New York, certifies the following:

1. The full name of every party or *amicus* represented by me is:

Association of the Bar of the City of New York

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:

Association of the Bar of the City of New York

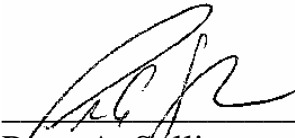
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the *amicus curiae* represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the *amicus* now represented by me in the trial court or are expected to appear in this court are:

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Dated: March 19, 2007



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## **TABLE OF CONTENTS**

STATEMENT OF THE ISSUES.....	1
STATEMENT OF INTEREST OF AMICUS CURIAE .....	1
SUMMARY OF THE ARGUMENT .....	2
ARGUMENT .....	3
I. TRIAL COUNSEL’S COMMUNICATIONS AND THOUGHTS SHOULD BE PROTECTED FROM DISCLOSURE UNLESS THEY CONCERN THE FORMULATION OF AN OPINION OF COUNSEL THAT THE PARTY SOLICITED.....	3
II. THE DUTY OF CARE STANDARD SHOULD NO LONGER BE A PART OF THE WILLFUL INFRINGEMENT DETERMINATION .....	9
CONCLUSION .....	14

## **TABLE OF AUTHORITIES**

### **CASES**

<i>Beneficial Franchise Co. v. Bank One N.A.</i> , 205 F.R.D. 212 (N.D. Ill. 2001) .....	7, 8
<i>Chill v. Gen. Elec. Co.</i> , 101 F.3d 263 (2d Cir. 1996) .....	12
<i>Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l</i> , 246 F.3d 1336 (Fed. Cir. 2001) .....	7
<i>Dunhall Pharms. v. Discus Dental, Inc.</i> , 994 F. Supp. 1202 (C.D. Cal. 1998) .....	7
<i>In re EchoStar Communications Corp.</i> , 448 F.3d 1294 (Fed. Cir. 2006) .....	3, 4
<i>Fort James Corp. v. Solo Cup Co.</i> , 412 F.3d 1340 (Fed. Cir. 2005).....	7
<i>Hickman v. Taylor</i> , 329 U.S. 495 (1947).....	3, 4, 8, 9
<i>Hunt v. Blackburn</i> , 128 U.S. 464 (1888) .....	3
<i>Imonex Servs. v. W.H. Munzprufer Deitmar Trenner GmbH</i> , 408 F.3d 1374 (Fed. Cir. 2005).....	10, 11
<i>Knorr-Bremse Systeme fuer Nutzfahrzeuge GmbH v. Dana Corp.</i> , 383 F.3d 1337 (Fed. Cir. 2004) .....	5, 13
<i>Read Corp. v. Portec Inc.</i> , 970 F.2d 816 (Fed. Cir. 1992) .....	4
<i>Underwater Devices, Inc. v. Morrison-Knudson Co.</i> , 717 F.2d 1380 (Fed. Cir. 1983).....	1, 13

### **STATUTES**

35 U.S.C. § 284 .....	9
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### **RULES**

Fed. R. App. P. 29(a) .....	1
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## MISCELLANEOUS

Fed. Trade Comm'n, <i>To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy</i> (2003), available at <a href="http://www.ftc.gov/os/2003/10/innovationrpt.pdf">http://www.ftc.gov/os/2003/10/innovationrpt.pdf</a> .....	11
Michael Edward McCabe, Jr., <i>Attorney-Client Privilege and Work Product Immunity in Patent Litigation, 2001 Intellectual Property Law Update</i> (Andrew B. Askew & Elizabeth C. Jacobs eds., 2001) .....	5
Mark A. Lemley & Rakesh K. Tangri, <i>Ending Patent Law's Willfulness Game</i> , 18 Berkeley Tech. L.J. 1085 (2003) .....	11
Kimberly A. Moore, <i>Empirical Statistics on Willful Patent Infringement</i> , 14 Fed. Cir. B.J. 227 (2004-05) .....	4

## **STATEMENT OF THE ISSUES**

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?
2. What is the effect of any such waiver on work product immunity?
3. Given the impact of the statutory duty of care standard announced in *Underwater Devices, Inc. v. Morrison-Knudson Co.*, 717 F.2d 1380 (Fed. Cir. 1983), on the issue of waiver of attorney-client privilege, should this Court reconsider the decision of *Underwater Devices* and the duty of care standard itself?

## **STATEMENT OF INTEREST OF AMICUS CURIAE**

The Association of the Bar of the City of New York ("Association"), through its Committee on Patents, moves to submit this *amicus curiae* brief in response to the Court's January 26, 2007 Order granting *en banc* review of the three questions presented above. The Association submits this brief in accordance with Fed. R. App. P. 29(a), and does not support the position of either party. Counsel has notified counsel for the parties of the submission, and counsel for respondent has refused the Association consent to file this brief. Accordingly, the Association moves this court for permission to file this *amicus* brief.

The Association is a private, non-profit organization of more than 22,000 attorneys, judges and law professors who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal and international levels through its more than 160 standing and special committees. The Committee on Patents (“Committee”) is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private practice and academic experience in patent law. The participating members of the Committee are dedicated to promoting the Association’s objective of improving the administration of the patent laws.

### **SUMMARY OF THE ARGUMENT**

Producing an opinion of counsel to defend against a charge of willful infringement should not result in an incursion into privileged communications between a party and its trial counsel, except to the extent that those communications concern the formulation of the opinion itself, or of an opinion on which the party chose not to rely. Moreover, uncommunicated work product of trial counsel should never be disclosed. Any other rule would prove to be unworkable.

If the Court were to revisit the duty of care standard, it should abolish the current standard in favor of an analysis that focuses on the blameworthiness of the conduct of those who made and/or marketed the product that was later adjudged to infringe patent rights.

## **ARGUMENT**

### **I. TRIAL COUNSEL’S COMMUNICATIONS AND THOUGHTS SHOULD BE PROTECTED FROM DISCLOSURE UNLESS THEY CONCERN THE FORMULATION OF AN OPINION OF COUNSEL THAT THE PARTY SOLICITED.**

Delineating the contours of the waiver of attorney-client privilege and work-product immunity in patent cases requires careful balancing of critical but competing policies. As the Supreme Court cautioned in *Hickman v. Taylor*, 329 U.S. 495, 497 (1947), “[p]roperly to balance these competing interests is a delicate and difficult task.”

The attorney-client privilege fosters full and frank communication between client and counsel. *Hunt v. Blackburn*, 128 U.S. 464, 470 (1888); *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006). During litigation, trial counsel regularly communicates trial strategy, the likelihood of ultimately prevailing, and the advisability of settlement, and updates each topic continually based on the dynamics of the litigation. Without frank communication on these subjects, a client would be precluded from meaningful input into the



parameters of its defense, and unable to decide whether, and under what conditions, to settle or discontinue the litigation.

The work product immunity similarly plays an essential role in the proper administration of justice. As the Supreme Court explained in *Hickman*, the seminal case on work product:

[I]t is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. Proper preparation of a client's case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference. . . . Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. . . . Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. . . . And the interests of the clients and the cause of justice would be poorly served.

329 U.S. at 510-11; *see also In re EchoStar*, 448 F.3d at 1301.

In patent infringement litigation, most defendants must respond to a charge of willful infringement, which brings the potential for treble damages.<sup>1</sup> Merely by making the allegation, the patentee puts the defendant's state of mind in issue, compelling the defendant to prove its good faith. *Read Corp. v. Portec Inc.*, 970 F.2d 816, 828 (Fed. Cir. 1992). Although courts will consider a number of

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<sup>1</sup> According to a study of all patent infringement cases terminated within a two-year period (not including actions for declaratory judgments), 92.3 percent of the original complaints contained a willfulness charge. *See* Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 Fed. Cir. B.J. 227, 232 (2004-05).

factors to determine if infringement was willful, adjudged infringers almost always claim reliance upon advice of counsel and produce counsel's opinion to defend against the charge, and continue to do so even after this Court's recent holding in *Knorr-Bremse Systeme fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004). Thus, it remains true, as one commentator noted, that "perhaps nowhere is the battle over privilege and work product waged with more intensity and vigor than in the litigation of a patent case." Michael Edward McCabe, Jr., *Attorney-Client Privilege and Work Product Immunity in Patent Litigation*, in 2001 Intellectual Property Law Update 131 (Anthony B. Askew & Elizabeth C. Jacobs eds., 2001).

Given the competing policies of protecting trial strategy and fostering full and frank discussions between attorneys and clients on the one hand, and having broad pretrial disclosure to test the strength of the claims and defenses on the other, the Association believes the appropriate balance is to allow incursion into the communications and thoughts of trial counsel on the subject of formulating an opinion of counsel that is solicited by the client. If trial counsel had a hand in creating the opinion (whether used by the party or ultimately rejected) – by drafting it or commenting on drafts prior to it being finalized – then trial counsel's communications concerning those drafts should be fair game. On the other hand, trial counsel's comments on the quality of the opinion after it has been formalized

should be protected from disclosure. Any other rule would severely compromise trial counsel's ability to conduct the litigation properly, and it would do so without a sufficient counterbalancing benefit.

In drawing this distinction, the Association struggled not only with the policy considerations, but also with practical effects of the intrusion on privilege and work product. While the effects of waiver are enormously disruptive to trial counsel's ability to litigate, the benefits from waiver are minimal. There is no compelling need to test an opinion by reference to trial counsel's thoughts. Other means are available and are used to evaluate the opinion – assessing the credentials and objectivity of its author, the support for the conclusions, and disclosure of any other opinions the party may have sought.

Further, trial counsel's communications are rarely, if ever, objective evaluations in the abstract. Trial counsel's assessment on the core issues of infringement and invalidity rests on factors beyond the absolute merits to encompass the particular circumstances of the litigation, *inter alia*, the judge, likely jury, opposing counsel, and the strength of the fact and expert witnesses. Courts have commented on the distinction between analysis by trial counsel and opinions defending against a charge of willfulness:

[F]ollowing the filing of the lawsuit, defense counsel is engaged in critical trial preparation, often including analysis of the weakness 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.

*Beneficial Franchise Co. v. Bank One N.A.*, 205 F.R.D. 212, 218 (N.D. Ill. 2001) (quoting *Dunhall Pharms. v. Discus Dental, Inc.*, 994 F. Supp 1202, 1206 (C.D. Cal. 1998)); cf. *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l*, 246 F.3d 1336, 1352 (Fed. Cir. 2001) (“[D]efenses prepared for trial are not equivalent to the competent legal opinion of non-infringement or invalidity” that evidences due care.).

The Association is also mindful of the need for fairness; the law must prevent a party from disclosing communications that support its position while simultaneously concealing contrary communications, using privilege as both a “sword and a shield.” *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005). Fairness principles also favor limiting waiver of trial counsel’s communications, and the Association believes that the correct balance is struck by limiting the waiver only to trial counsel’s comments about the formulation of opinions that are relied upon or rejected by the party. If the reasonableness of the opinion is at issue, discussions during and about the formulation of the opinion will be most probative of its strength.

The Association also has concerns about disclosure of work product, and opposes extending any waiver that would invade further trial counsel’s uncommunicated work product. The hazards of extending discovery to trial

counsel are evident from the order of the district court. All communications on the core issues of a patent infringement litigation would potentially be open to an adversary in the litigation. The district court's attempt to distinguish protected trial strategy from unprotected opinion on the core issues of infringement, invalidity and unenforceability through *in camera* review is unworkable, and the distinctions among communications appear to bear little relationship to the reason for the discovery. Such wholesale review and possible disclosure in the litigation would severely compromise trial counsel's ability to communicate with the client and conduct the litigation without fear of counsel's advice and thoughts being exposed, and give the opponent a roadmap to counsel's trial strategy. *In camera* review is not a panacea either, both in practical terms and because the review would taint the court with respect to counsel's tactics, comments on court rulings and trial strategy.

Nor should uncommunicated work product be disclosed on the theory that what was in the lawyer's mind "was really in the client's mind." *Beneficial Franchise*, 205 F.R.D at 218. Whatever the merits of this rationale, these speculative benefits have little application to trial counsel's uncommunicated thoughts. As the Supreme Court noted in *Hickman*:

"When Rule 26 and the other discovery rules were adopted, this Court and the members of the bar in general certainly did not believe or contemplate that all the files and mental processes of lawyers were thereby opened to the free scrutiny of their

adversaries. And we refuse to interpret the rules at this time so as to reach so harsh and unwarranted a result.”

329 U.S. at 514. Or as Justice Jackson said in his concurrence, “[d]iscovery was hardly intended to enable a learned professional to perform its functions ... on wits borrowed from the adversary.” *Id.* at 516.

Any rule that results in further opening trial counsel’s thought processes during the litigation could have only one result – a party will never be able to rely on the advice of counsel defense.

## **II. THE DUTY OF CARE STANDARD SHOULD NO LONGER BE A PART OF THE WILLFUL INFRINGEMENT DETERMINATION.**

If the court considers revisiting the propriety of a duty of care requirement (and considers this case a proper vehicle for doing so<sup>2</sup>), the Association is of the view that an affirmative duty of care should be abolished. It places an onerous burden on the technology-using community, and does not directly answer the question to be answered in 35 U.S.C. § 284.

Under the current law, the affirmative duty of care triggers when the infringer had notice of the patent in issue. Notice is broadly construed when the would-be infringer is an organization. For an organization, the duty of care triggers when a patent enters the possession of a company. Liability for

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<sup>2</sup> Some members of the Committee are concerned that the duty of care question has not been the focus of either litigant, and that resolving the question is not necessary to the resolution of the case.

willfulness, and imposition of up to treble damages, thus could attach even if the people responsible for launching the infringing product themselves did not know of the patent.

*Imonex Servs. v. W.H. Munzprufer Deitmar Trenner GmbH*, 408 F.3d 1374 (Fed. Cir. 2005), is a good illustration of the current rule. In *Imonex*, actual notice of the patent was based solely on the interactions of low-level employees – *Imonex* displayed products at a trade show attended by employees of the infringers, it distributed literature depicting its product as patented, and it corresponded with low-level employees of the infringers about the use of patented devices. The infringers argued that such notice was insufficient to trigger the duty of care because those responsible for deciding to make and market the product never studied the patent or even received notice of it. The Court rejected this argument, holding that the jury had “substantial evidence” to support its verdict on willfulness, a verdict that required clear and convincing evidence. *Id.* at 1378.

Although noting that a willfulness analysis requires a showing of egregious conduct, *id.* at 1337, the Court did not review the record to determine if it contained clear and convincing evidence of this level of culpability. This case was just the latest example of willfulness following from duty as night follows day, with little consideration of the blameworthiness of the conduct of the individuals deciding to make and/or market the product that was later adjudged to infringe.

One lesson that could be drawn from the *Imonex* case is that the would-be infringer (presumably IP counsel) should have debriefed these low level employees about what they learned at the trade show, or heard from discussions with *Imonex*. Then IP counsel should have determined which products the patents potentially affected and commissioned opinions assessing infringement and possible defenses. This is an impracticable standard to uphold, and organizations cannot reasonably be expected go to these lengths.

The current state of the law not only tends to punish conduct that should not be considered blameworthy, it fosters abuses that undercut a primary aim of the patent system – having the public review patents to develop improvements on them and thus advance the state of the art. Commentators and members of industry have noted that the affirmative duty of care promotes willful blindness of the prior art. *See, e.g.*, Mark A. Lemley & Rakesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley Tech. L.J. 1085, 1102 (2003) (noting, “experienced patent lawyers often advise their clients to avoid reading patents in order to avoid liability for willfulness”); Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* at 16 (2003), available at [http:// www.ftc.gov/os/2003/10/innovationrpt.pdf](http://www.ftc.gov/os/2003/10/innovationrpt.pdf) (Participants at the FTC-DOJ Hearings held in November 2002 testified that they do not read their competitors’ patents out of fear of treble damages.).



The threshold for imposing enhanced damages should be commensurate with the level of indifference shown by the infringer to the patent rights of others. The circumstances surrounding the notice of the patent rights and the actions following notice should be analyzed to determine if the level of egregiousness should trigger enhanced damages. The framework should focus on the actions of the decision-makers – those who participated in the decision to make, use or sell the infringing product. Was it an unintentional infringement, or a knowing infringement? Did the actor merely act negligently, or was there a conscious or reckless disregard for the patent rights of others? Properly instructed, the finder of fact can draw the appropriate line in a given case without resort to an affirmative duty of care. Such a framework would help avoid situations where, for example, there exists a copy of the patent in issue somewhere on the grounds of the infringer organization but unknown to those responsible for producing and marketing the infringing device.

This framework would not be unlike those for other intent-based offenses, such as finding scienter under the securities law or finding reckless or knowing disregard under common law fraud. *Cf. Chill v. Gen. Elec. Co.*, 101 F.3d 263, 266-68 (2d Cir. 1996) (defining scienter under federal securities law). Concepts that have served as proxies for willfulness in other contexts such as

willful blindness and conscious disregard of rights may also prove useful in establishing the contours of the analysis.

If concepts such as willful blindness and conscious disregard of patents can be worked into the framework, it should reinvigorate patent-based research. Under such a standard, a company could no longer avoid liability by consciously ignoring the prior art before launching a product. This framework should foster respect for patent rights through a reasonable awareness of the presence of patent rights, while not dictating a one-size-fits-all solution like the affirmative duty of care.

In revisiting the duty of care requirement, it cannot be said that the affirmative duty of care has been a longstanding pillar of patent law. As one member of this Court pointed out in *Knorr-Bremse*, the duty of care requirement enunciated in *Underwater Devices* did not have deep roots; it was supported only by two regional circuit cases. 383 F.3d at 1350 (Dyk, J., concurring in part and dissenting in part). It can fairly be viewed as a remedial measure to combat the lack of respect accorded by the courts prior to the creation of the Federal Circuit. That view is no longer prevalent today, and this is a good time to reevaluate whether this particular remedial measure is needed any longer to advance the policy of the patent laws.

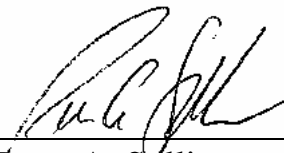
## CONCLUSION

The Association respectfully submits its views for the Court's consideration on this significant issue of patent law.

Dated: March 19, 2007

Respectfully submitted,

By:



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Peter A. Sullivan

Attorney for *amicus curiae*  
Association of the Bar of the  
City of New York

**CERTIFICATE OF SERVICE**

**United States Court of Appeals  
for the Federal Circuit  
Misc. Docket No. 830**

-----)  
In Re Seagate Technology, LLC  
*Petitioner.*  
-----)

I, John C. Kruesi, Jr., being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

I am retained by Hughes Hubbard & Reed LLP, Attorneys for Amicus Curiae Association of the Bar of the City of New York.

On the **19<sup>th</sup> day of March, 2007**, I served the 2 copies of the within **Brief for Amicus Curiae Association of the Bar of the City of New York in Support of Neither Party** in the above captioned matter upon:

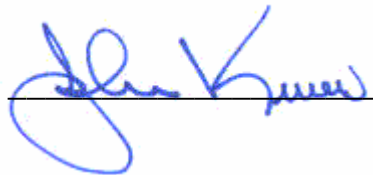
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March 19, 2007

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**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

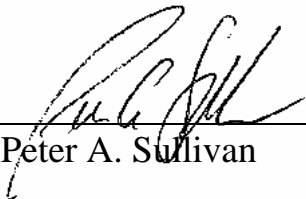
**In re Seagate Technology LLC**

**Misc. No. 830**

**CERTIFICATE OF COMPLIANCE**

Counsel for Association of the Bar of the City of New York certifies that, pursuant to Fed. R. App. P. 32(a)(7)(C), the attached brief complies with the type and volume limitations set forth at Fed. R. App. P. 32(a)(7)(B) because the brief (excluding Certificate of Interest, Table of Contents and Table of Authorities), contains 3,069 words, as established by an automated word processing program.

Dated: March 19, 2007

  
\_\_\_\_\_  
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