

The Expanded Waiver of Privilege Triggered by Reliance on Opinions of Patent Counsel: Risks and Mitigation Strategies

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Typical Risk Scenario

- Client receives letter alleging patent infringement based on product announcement or initial sales.
- Client may need advice of patent counsel to make informed business decision about continuing to sell product.
- Client may need advice of patent counsel to mitigate likely allegations of willful infringement.

Issues

- Should client procure an opinion of patent counsel?
- Who should provide the opinion?
- Should client rely on the opinion in defense of willful infringement allegations?

Why are we asking these questions?

- Magistrate’s Order in Netalog, Inc. v Griffin Technology, Inc.:
 - Because of waiver of privilege triggered by reliance on opinion of counsel:
 - Defendant and trial counsel for defendant must answer deposition questions about “legal advice provided by litigation counsel regarding the patent in suit.”
 - Defendant and trial counsel must produce all documents “relating to all legal advice provided by litigation counsel regarding the patent in suit”, even if client did not rely on that advice in making business decisions.

Why are we asking these questions?

- Discovery order was not limited to non-infringement (the subject matter of the opinion).
- Discovery order was not limited to advice that contradicted the opinion.
- Discovery order included attorney's internal file documents if those documents referenced advice given. (e.g., CYA file memos)
- Discovery order was not limited to advice given prior to decision to sell accused product.
- Only limitation – work product not disclosed to client is not discoverable.

Basis for Ruling

(Affirmed by District Judge)

- Akeva, LLC v. Mizuno Corp., 243 F.Supp. 418 (M.D.N.C. 2003)
- Akeva opinion cited with approval in In re Echostar Communications Corp., 448 F.3d 1294, 78 U.S.P.Q.2d 1676 (Fed. Cir. 2006)

In re Echostar Holding:

- “When an alleged infringer asserts its advice-of-counsel defense regarding willful infringement.... it waives its immunity for any document or opinion that embodies or discusses a communication to or from it concerning whether that patent is valid, enforceable, and infringed by the accused.”
- Again note that the waiver is not limited to the subject matter of the formal opinion.

Post-Echo Star decisions:

- Autobytel, Inc. v. Dealix Corporation, 2006 WL 2850324 (E.D. Tex October 3, 2006):
 - Waiver is limited to patent issue(s) addressed in opinion relied on.
 - Common legal interest privilege is waived.

Post-Echo Star decisions:

- Intex Recreation Corp. v. Team Worldwide Corporation, 439 F.Supp.2d 46 (D.C.D.C. 2006):
 - Echo Star should be read to require disclosure of advice as to validity and enforceability, even if opinion relied on is limited to non-infringement.
 - Waiver as to advice given by trial counsel is limited to advice that contradicts the opinion or questions its competency.

Should Litigation Counsel Give Substantive Advice?

- If advice is negative as to any aspect of asserted patent, litigation counsel could become a material witness at trial.
- If client does not testify accurately as to oral advice it received, litigation counsel's recollection or file memos may be used to impeach the client.

Should Litigation Counsel Refuse to Give Substantive Advice?

- How can client be properly advised during mediation or other settlement negotiations?
- What if client is publicly traded and obligated to disclose significant risks of adverse events?

Other Complications:

- Should a defendant's use of a patent attorney as an expert witness trigger a waiver?
- Does reliance on an opinion of counsel supplied by a vendor trigger a waiver?
- What about opinions of counsel for co-defendants communicated under a joint defense agreement or subject to common legal interest privilege?
- Can the privilege be reinstated if reliance on advice of counsel is withdrawn?

Possible Strategies:

- Use opinion counsel to provide ongoing and updated advice to client throughout litigation.
- Seek bifurcation of damages/willfulness issues at beginning of case.
- Obtain stipulation that advice given during mediation or settlement discussions is not discoverable.

Possible Strategies:

- Retain and disclose “opinion counsel” as defendant’s “expert witness.”
- Negotiate or seek limits on discovery of trial counsel advice in initial protective order.
- Provide sanitized litigation advice that agrees with opinion counsel but openly discounts the probability of success based on practical risks associated with jury trials? (“Based on the law and facts, I agree 100% with the opinion but... ..”)

THANK YOU
AND
GOOD LUCK!

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