Coerced Waiver of the Attorney-Client Privilege for Opinions of Counsel in Patent Litigation

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Accused patent infringers often face the threat of multi-million dollar damage awards. If a court finds an accused infringer guilty of "willfully" infringing a patent, the infringer may face a statutory trebling of damages which could push the total damage award into the hundreds-of-millions of dollars. An accused infringer frequently must seek an opinion of counsel describing why the asserted patent is invalid or why it does not infringe the patent. The accused infringer may rely on this opinion to rebut allegations of willful infringement. Consequently, the accused infringer may introduce the opinion at trial, asserting that it did not infringe the patent willfully because it relied in good faith on the letter's pronouncement of innocence. Unfortunately, in producing such an opinion, the accused infringer must often waive its attorney-client privilege. If the accused infringer refuses to

1. Section 284 of the Patent Act authorizes the district courts to increase damages up to three times the amount found or assessed. 35 U.S.C. § 284 (1988). The potential for statutory trebling can thus become the focus of the defense's attention during litigation. See Richard B. Racine & Michele C. Bosch, Willful Infringement: A Real Concern, 3 FED. CI.RCU.R B.J. 409, 409 (1993) ("Unless the defendant has an airtight defense to willful infringement, its cloud envelopes the lawsuit, often influencing trial strategy every step of the way.").


produce the opinion letter when requested by the opposing party and, instead, asserts the attorney-client privilege, the factfinder may infer either that the opinion was unfavorable or that the accused infringer did not obtain an opinion. Such an inference (hereinafter “the inference”) tends to disregard the accused infringer’s reasons for protecting the opinion.

The inference presents an accused patent infringer with a harsh dilemma: present the opinion and waive the attorney-client privilege or assert the privilege and risk having the court infer that the opinion was unfavorable. While the Court of Appeals for the Federal Circuit (“the Federal Circuit”) has recognized the problems caused by this inference, it has failed to craft a doctrine which will guide and control the district courts. District courts continue to act unpredictably, and the attorney-client relationship suffers as a result. Clients spend thousands of dollars on showpiece opinion letters which proclaim their innocence but fail to provide the sort of unbiased advice on which to base an intelligent business decision.

In light of the importance of the willfulness determination in patent cases and recent pronouncements by the Federal Circuit, it is time for the

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5. See infra Part I.C. (describing the cases in which the Federal Circuit first allowed such an inference).

6. See infra notes 103-105 and accompanying text (describing legitimate reasons an accused infringer may have for refusing to produce an opinion letter).

7. See infra notes 106-109 and accompanying text (citing articles critical of the Federal Circuit’s inference because of the dilemma it produces).

8. See infra notes 116-118 (describing recent cases in which the Federal Circuit has resisted strict application of the inference).

9. Opinions can range in cost from $10,000 for a simple opinion to $30,000 or more for a complex multi-issue opinion. Telephone Interview with Mary Bauman, Assistant General Counsel, Patents, Sanofi, Inc. (Aug. 14, 1995).

10. See infra notes 101 and 102 and accompanying text (describing the type of opinion letter typically supplied to a client under the current system).


12. The Federal Circuit recently revisited the inference and limited its application. See Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc., 34 F.3d 1048, 1056-57 (Fed. Cir. 1994) (holding that the accused infringer’s assertion of the attorney-client privilege did not establish an irrebuttable presumption of willfulness); Quantum Corp. v. Tandon Corp., 940 F.2d 642, 643-44 (Fed. Cir.
Federal Circuit to lay out a willful infringement framework for the district courts.13

This Note contends that the inference has caused many problems in the way patent attorneys practice law, while resulting in little practical benefit for, or effect on, determinations of willful patent infringement. Part I of the Note surveys the history of the attorney-client privilege and reviews the development of the willful infringement analysis in the federal courts through the Federal Circuit's creation of the inference. Part II questions the doctrinal justification for the inference and asserts that the damage to the attorney-client privilege caused by fear of the inference greatly outweighs any promotion of fairness underlying the inference. Part III proposes that the Federal Circuit repudiate the inference in certain situations and allow the accused infringer a choice: introduce the opinion letter as evidence to disprove willfulness or hold the letter and rely on other evidence to rebut the plaintiff’s evidence of willfulness.14


14. Some commentators have suggested more extensive revisions of the law surrounding negative inferences drawn from the failure to produce an opinion of counsel. See, e.g., Mark A. Flagel & Rachel Terner, An Accused Patent Infringer's Dilemma: Waive the Attorney-Client Privilege, or Risk a Finding of Willful Infringement, 11 COMPUTER LAW 20 (1994) (suggesting separate opinion counsel and litigation counsel, with litigation counsel proffering no opinions on validity or infringement, and waiver extending only to communications with opinion counsel); David A. Nelson, Comment, Attorney-Client Privilege and Procedural Safeguards: Are They Worth the Costs?, 86 NW. U. L. REV. 388, 383-415 (1992) (arguing that the Federal Circuit's inference violates the accused infringer's fifth amendment right against self-incrimination, fifth amendment due process rights, seventh amendment right to a trial by jury, and sixth amendment right to effective counsel); see also infra note 121 and accompanying text (describing ABA Section of Intellectual Property resolution advocating...
Note concludes that, absent modification by the Federal Circuit, the negative inference will continue to frustrate the accused infringer's ability to obtain candid advice from counsel.

I. WILLFUL PATENT INFRINGEMENT AND THE ATTORNEY-CLIENT PRIVILEGE: A REVIEW

In 1982, Congress created the Court of Appeals for the Federal Circuit, granting it exclusive jurisdiction over patent appeals. Since the Federal Circuit's inception, both the volume of patent litigation and the size of patent awards have increased greatly. The Federal Circuit has used its exclusive authority


over patent appeals to rewrite and unify the federal patent caselaw during this time. In addition, the court has been more inclined than its predecessor circuit courts to find patents valid and infringed.

A. **Willful Infringement and the Duty of the Accused Infringer in Patent Cases**

Under the 1952 Patent Act, the holder of a valid United States patent may bring a civil action for infringement of the patent. A party infringes a patent when, within the United States, it makes, uses, or sells, without authority, any patented invention during the term of the patent. A court may exercise its discretion to increase damages for patent infringement up to three times the amount assessed at trial (i.e., "trebling" of dam-


18. A 1990 New York Times Article reported:

[A] recent 1970-1989 survey by the Boston University School of Law found that the number of reported awards and monetary settlements increased sharply since the Federal Circuit was set up by Congress in 1982. Awards have climbed from an average of $2 million in the early 1970's to $18 million in each of the last three years.

Edmund L. Andrews, *Protecting Microbes and Mathematics: A New Federal Appeals Court is Expanding the Power of Patents*, N.Y. TIMES, May 13, 1990, Sec. 3, at 12; see also Richard Burke, *The Pendulum Swings on Patents*, PHILA. INQUIRER, Mar. 26, 1990, at C1; Desmond supra note 15, at 460-61 n.41 (describing forum shopping resulting from inconsistencies among the federal circuits and stating that the Eighth Circuit held invalid every patent it reviewed from 1950 to 1970); Robert P. Merges, *Commercial Success and Patent Standards: Economic Perspectives on Innovation*, 76 CAL. L. REV. 803, 821 n.65 (1988) (noting that, from 1921 to 1973, the circuit courts held two-thirds of litigated patents invalid). Even the Supreme Court historically had been openly hostile to patents. See Jungersen v. Ostby & Barton Co., 335 U.S. 560, 571-72 (1949) (Jackson, J., dissenting) ("[T]he only patent that is valid is one which this Court has not been able to get its hands on").


Although the statute contains no specific guidelines for such trebling of damages, courts have traditionally awarded increased damages only after a finding of willful or bad faith infringement. Under the Federal Circuit's standard, a patentholder proves willfulness by presenting clear and convincing evidence that the infringer acted in disregard of the patent and had no reasonable basis for believing it had a right to engage in the infringing acts.


22. See, e.g., Read Corp. v. Portec, Inc., 970 F.2d 816, 826 (Fed. Cir. 1992) ("[T]his court has approved such awards where the infringer acted in wanton disregard of the patentee's patent rights, that is, where the infringement is willful."); Mathis v. Spears, 857 F.2d 749, 754 (Fed. Cir. 1988) ("Provisions for increased damages . . . are available as deterrents to blatant, blind, willful infringement of valid patents."); 5 DONALD S. CHISUM, PATENTS § 20.03[a][b][v] (1994) ("The Federal Circuit's decisions have reinforced the notion that multiple damages is primarily a punitive provision to deter willful infringement of patents."). In its first opinion on the subject, the Federal Circuit stated: "More is necessary to support a finding of 'willfulness' than that the infringing acts were not inadvertent. The court must determine that the infringer . . . had no reasonable basis for believing it had a right to do the acts." Stickle v. Heublein, Inc., 716 F.2d 1550, 1565 (Fed. Cir. 1983). A finding of willful infringement may also serve as a basis for finding that a case is "exceptional," and thus deserving of reasonable attorney's fees. 35 U.S.C. § 285 (1988).

23. Electro Medical, 34 F.3d at 1056; see also Read Corp., 970 F.2d at 829 (reversing a finding of willfulness and finding that "[n]o reasonable juror could find the asserted proof of willfulness rose to the quantum of clear and convincing evidence"). The Federal Circuit, however, typically affirms the award of increased damages based on willful infringement. John B. Pegram, Preserving Privilege in the Face of a Willful Infringement Charge, 73 J. PAT. & TRADEMARK OFF. SOC'Y 286, 287 (1991); see Minnesota Mining and Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc., 976 F.2d 1559, 1580 (Fed. Cir. 1992) (affirming a finding of willful infringement); Ryco, Inc. v. Ag-Bag Corp., 857 F.2d 1418, 1428 (Fed. Cir. 1988) ("The test is whether, under all the circumstances, a reasonable person would prudently conduct himself with any confidence that a court might hold the patent invalid or not infringed."); Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1390 (Fed. Cir. 1983) (affirming the district court's finding of willfulness based on the totality of the circumstances under a clearly erroneous standard). Prior to the creation of the Federal Circuit, courts did not find willfulness if either the validity of the patent or infringement by the defendant was open to an "honest doubt," a standard much more deferential to the accused infringer. See Lam, Inc. v. Johns-Manville Corp., 665 F.2d 462, 474 (10th Cir. 1982) ("An infringer who reasonably doubted that the patent was valid has not willfully infringed the patent."); cert. denied, 456 U.S. 1007 (1982); Western Elec. Co., Inc. v. Stewart-Warner Corp., 631 F.2d 333, 337-38 (4th Cir. 1980) (finding the accused infringer's reliance on an opinion of counsel indicative of an honest doubt as to its liability), cert. denied, 450 U.S. 971 (1981);
When conducting a willful infringement analysis, the Federal Circuit reviews an accused infringer's actions under the "totality of the circumstances."24 While the court looks mainly to whether the accused infringer obtained a competent opinion of counsel25 when considering the totality of the circumstances, it also considers a variety of non-opinion factors. These factors include: evidence of intentional copying of the invention;26 whether the infringer conducted a prior investigation of the scope of the patent claims;27 whether the patent issued before the acts of infringement;28 whether the infringer attempted to conceal its acts;29 whether, and to what extent, the infringer took remedial actions;30 whether the infringer made a good faith attempt to "design around" the patented invention;31 whether the infringer held a good faith basis for believing its acts were

25. See 5 CHISUM, supra note 22, § 20.03[4][b][iv]. For a discussion of factors used to determine the competency of an opinion letter, see infra notes 46-55 and accompanying text.
27. Bott, 807 F.2d at 1572.
31. Rolls-Royce Ltd. v. GTE Valeron Corp., 800 F.2d 1101, 1110 (Fed. Cir. 1986); Yarway Corp. v. Eur-Control USA, Inc., 775 F.2d 263, 275 (Fed. Cir. 1985). Designing around involves studying the asserted patent, determining its scope of coverage, and designing a new product specifically to avoid that coverage. See Kolene Corp. v. Motor City Metal Treating, Inc., 440 F.2d 77, 82 (6th Cir. 1971) (stating that the doctrine of "legitimate design around...recognizes the right of one to look at a patent, make a good faith determination of its scope of protection and then design a process or product that skirts that protection"). The Federal Circuit also approves of legitimate designing around:
Conduct... involving keeping track of a competitor's products and designing new and possibly better or cheaper functional equivalents is the stuff of which competition is made and is supposed to benefit the consumer. One of the benefits of a patent system is its so-called "negative incentive" to "design around" a competitor's products, even when they are patented, thus bringing a steady flow of innovations to the marketplace. It should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them.
State Indus., Inc. v. A.O. Smith Corp., 751 F.2d 1226, 1235-36 (Fed. Cir. 1985).
the circumstances surrounding license negotiations; the infringer's behavior as a party to the litigation; the infringer's size and financial condition; and the closeness of the case on the issues of validity, infringement and willfulness.

Without reason the Federal Circuit reviews the infringer's actions under an objective standard in some cases, and under a subjective standard in others. Because willfulness is a determination of the infringer's state of mind, the court has sometimes required that the accused infringer knowingly disregard the patent. In many of its decisions, however, the court has adopted an objective standard for willfulness. In general, the court has asked whether the infringer held a good faith belief

33. See King Instrument Corp. v. Otari Corp., 767 F.2d 853, 867 (Fed. Cir. 1985), cert. denied, 475 U.S. 1016 (1986); Power Lift, Inc. v. Lang Tools, Inc., 774 F.2d 478, 482 (Fed. Cir. 1985) (affirming a jury's willfulness finding where the infringer refused the patentee's offer of a license, stating "before he would pay ... a nickel, he'd see [the patentee] in the courthouse").
37. E.g., Read Corp., 970 F.2d at 828; see also Thorn EMI North Am., Inc. v. Micron Technology, Inc., 837 F. Supp. 616, 620 (D. Del. 1993) ("Whether an infringer acted willfully or wantonly is a question of fact that rests on a determination of the infringer's state of mind."); Union Carbide Corp. v. Tarancon Corp., 742 F. Supp. 1565, 1576 (N.D. Ga. 1990) ("Whether an act is willful is by definition a question of the actor's intent.").
39. See, e.g., Scott Paper Co. v. Moore Business Forms, Inc., 594 F. Supp. 1051, 1084 (D. Del. 1984) (holding the infringer had "no reasonable basis" for believing it had a right to do the acts in question); see also, Donald L. Cox, Opinions of Counsel in Patent Litigation, in PATENT LITIGATION 1994, at 569, 585 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. G-397, 1994) ("The Federal Circuit's analysis of the willfulness issue is internally inconsistent and leads to results which are at variance with basic concepts applicable in other tort situations."). After writing that "willfulness is a determination as to a state of mind," the Read Corp. court noted, "[t]his precedent does not mean a client must itself be able to evaluate the legal competence of its attorney's advice to avoid a finding of willfulness." Read Corp., 970 F.2d at 828-29.
that it was not liable for infringement, and whether that belief was reasonable under the totality of the circumstances.\textsuperscript{40}

In 1984, the Federal Circuit significantly reduced the plaintiff's burden of production in willful infringement disputes by placing an offsetting duty on the defendant. The court held that notification by a patent holder of possible infringement places an affirmative duty on the accused infringer to exercise due care to determine whether or not it is infringing.\textsuperscript{41} This duty typically includes the obligation to seek and obtain competent legal advice from counsel in the form of a legal opinion before initiating or continuing any potential infringement.\textsuperscript{42} The court, however, has not always required that an accused infringer obtain an opinion,\textsuperscript{43} and the presence of an opinion letter will not automatically relieve a party from a finding of willful infringement.\textsuperscript{44}

While the importance of the opinion does not wholly depend on its legal correctness, it must be thorough enough, when combined with the other factors of the "totality of the circumstances"

\textsuperscript{40} See, e.g., Studiengesellschaft Kohle m.b.H. v. Dart Indus., Inc., 862 F.2d 1564, 1577-79 (Fed. Cir. 1988) (affirming a finding of no willfulness where defendant's reliance on counsel's opinion was reasonable, even though the opinion itself was incorrect).

\textsuperscript{41} Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389 (Fed. Cir. 1983); see also Amsted Indus., Inc. v. Buckeye Steel Castings Co., 24 F.3d 178, 184-88 (Fed. Cir. 1994) (describing steps the patent holder must take to satisfy the notice requirement in a willful infringement action).

\textsuperscript{42} Underwater Devices, 717 F.2d at 1390. The court affirmed a holding of willful infringement and treble damages by the district court where it found the defendant's legal opinion incompetent. \textit{Id}. The court criticized the opinion on three grounds: it was prepared by in-house counsel, counsel was not a patent attorney, and counsel did not review the patent application's prosecution history. \textit{Id}.

\textsuperscript{43} "The weight that may fairly be placed on the presence or absence of an exculpatory opinion of counsel has varied with the circumstances of each case, and has not been amenable to development of a rigorous rule." Rite-Hite Corp. v. Kelley Co., 819 F.2d 1120, 1125 (Fed. Cir. 1987); see also Electro Medical Sys., S.A. v. Cooper Life Sciences, Inc., 34 F.3d 1048, 1056-57 (Fed. Cir. 1994) (holding that though the infringer did not obtain an opinion of counsel, its infringement was not willful where it sold only six infringing devices for the sole purpose of raising the issue for litigation); Delta-X Corp. v. Baker Hughes Prod. Tools, Inc., 984 F.2d 410, 414 (Fed. Cir. 1993) (affirming the trial court's denial of treble damages; although the infringer did not obtain an opinion letter, the record showed no evidence of copying and the infringer concluded in good faith that its device did not infringe and mounted a substantial challenge to the charge of infringement).

\textsuperscript{44} Spindelfabrik Suessen-Schur Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft, 829 F.2d 1075, 1084 n.13 (Fed. Cir. 1987) ("[T]hat an opinion of counsel was obtained does not 'always and alone' dictate a finding that the infringement was not willful."). cert. denied, 484 U.S. 1063 (1988).
test, to instill a belief in the accused infringer that a court might reasonably find the patent invalid, not infringed, or unenforceable. The Federal Circuit has repeatedly looked to the substance of the opinion of counsel in this regard. The opinion should be that of a patent attorney rather than a general attorney. The opinion should be in writing, include an analysis for each claim of the patent at issue, and be based on a diligent search of the prior art and a review of the application's prosecution history. An infringement opinion should include an

46. See, e.g., Bott v. Four Star Corp., 807 F.2d 1567, 1572 (Fed. Cir. 1986) (affirming a finding of willful infringement where the opinion was from in-house counsel and "consisted merely of conclusory statements without supporting reasons"); Central Soya Co. v. Geo. A. Hormel & Co., 723 F.2d 1573, 1576-77 (Fed. Cir. 1983) (rejecting the advice of counsel defense because the opinion letter was equivocal and based solely on file history prior art).
47. Underwater Devices, 717 F.2d at 1390. A patent attorney is an attorney who has passed the patent bar exam and is licensed to practice before the Patent and Trademark Office. 37 C.F.R. §§ 10.6-10.8 (1994).
48. See Minnesota Mining and Mfg. Co. v. Johnson & Johnson Orthopedics, Inc., 976 F.2d 1559, 1580-81 (Fed. Cir. 1992) (holding the opinion inadequate where it was an oral opinion received from in-house counsel and based on information from an individual with a stake in the infringing product).
49. A claim analysis compares each of the elements in a patent claim to the accused product or process. If the accused product or process contains every element of any claim in the patent, it infringes the patent. See Lemelson v. United States, 752 F.2d 1538, 1551 (Fed. Cir. 1985) ("It is also well settled that each element of a claim is material and essential, and that in order for a court to find infringement, the plaintiff must show the presence of every element or its substantial equivalent in the accused device.").
50. See Uniroyal, Inc. v. Rudkin-Wiley Corp., 939 F.2d 1540, 1546-47 (Fed. Cir. 1991) ("Counsel expressly stated in the letter that it had reviewed the patent, its file history, and the pertinent prior art, . . . as well as certain tests, experiments, and studies performed in connection with this proceeding."); Lightwave Technologies, Inc. v. Corning Glass Works, 19 U.S.P.Q.2d (BNA) 1838, 1847 (S.D.N.Y. 1991) (criticizing opinions which considered only validity, not infringement, and which "relied heavily upon art previously considered and rejected by the Patent Office during prosecution."). Prior art includes any prior knowledge, acts, descriptions and patents relevant to the invention in question. Mooney v. Brunswick Corp., 663 F.2d 724, 733 (7th Cir. 1981). Prior art which is very similar to the invention claimed in the patent application can render the claimed invention "non-novel" or obvious, invalidating the patent. See 35 U.S.C. §§ 102 and 103 (1988). A patent applicant has a duty to disclose to the Patent and Trademark Office any information known to the applicant to be material to patentability, including prior art. 37 C.F.R. § 1.56(a) (1994).
51. A patent application's prosecution history consists of records of the communications between the patent applicant and the patent examiner at the United States Patent and Trademark Office. The prosecution history is important because statements made by the applicant in the history can work an es-toppel on the applicant during patent litigation, limiting the scope of the litigated patent claim. See Lemelson, 752 F.2d at 1550 ("[T]he prosecution his-
analysis of both literal infringement and infringement under the
doctrine of equivalents. More important, the infringer must
supply its counsel with all pertinent facts, and not pick and choose from several opinions.

B. THE ATTORNEY-CLIENT PRIVILEGE AND ITS WAIVER

Unlike most rules of evidence—which aspire to discern the truth through disclosure of evidence—the rules of privilege result in the suppression of the truth. The redeeming quality of a privilege is its protection of relationships or interests that soci-

tory is always relevant to a proper interpretation of a claim."); cf. Central Soya Co., Inc. v. Geo. A. Hormel & Co., 723 F.2d 1573, 1577 (Fed. Cir. 1983) (holding that attorney's advice, based solely on patent prosecution history prior art, was not a dispositive showing of the accused infringer's good faith).

52. Literal infringement occurs when the accused product or process embodies all of the limitations listed in a patent claim. Pennwalt Corp. v. Durand-Wayland, Inc., 833 F.2d 931, 933 (Fed. Cir. 1987) (en banc), cert. denied, 485 U.S. 961 (1988), and cert. denied, 485 U.S. 1009 (1988). Absent literal infringement, a product or process may nevertheless infringe a patent under the doctrine of equivalents if the accused device or process is not substantially different from the invention claimed in the patent. Id. at 934. In a recent decision, the Federal Circuit held that consideration of infringement under the doctrine of equivalents is a factual issue rather than an equitable issue. Hilton Davis Chemical Co. v. Warner-Jenkinson Co., Inc., No. 93-1088, 1995 WL 468346, at *7 (Fed. Cir. Aug. 8, 1995) (en banc) (per curiam). An equitable issue is thus not a prerequisite for a doctrine of equivalents inquiry. An analysis under the doctrine of equivalents would therefore seem to be an important part of any competent infringement opinion. But see Westvaco Corp. v. International Paper Co., 991 F.2d 735, 744 (Fed. Cir. 1993) ("The opinion letter contains enough other indicia of competence that the failure to discuss infringement under the doctrine of equivalents is not fatal."); Ortho Pharmaceutical Corp. v. Smith, 989 F.2d 936, 944-45 (Fed. Cir. 1993) (holding that where the opinion letter thoroughly discussed the reasons for counsel's conclusions, an analysis under the doctrine of equivalents was not per se necessary to establish the infringer's claim of a reasonable belief of noninfringement).


54. Central Soya, 723 F.2d at 1577 ("Intentional disregard of its counsel's opinion negates any inference of good faith, placing [the infringer] in the same position as one who failed to secure the advice of counsel.").

55. Abbott Lab. v. Baxter Travenol Lab., Inc., 676 F. Supp. 831, 832 (N.D. Ill. 1987). This ruling is consistent with the general policy of subject matter waiver that the opposing party have access to all information to rebut the asserting party's evidence. See In re von Bulow, 828 F.2d 94, 103 (2d Cir. 1987) ("Like the 'implied waiver,' the subject matter waiver also rests on the fairness considerations at work in the context of litigation.").

ety values enough to warrant some loss of evidence. The attorney-client privilege, the oldest of the "communication" privileges, protects confidential communications between legal counsel and the client. The privilege encourages "full and frank communication between attorneys and their clients" both for giving professional advice to the client and for giving of information to the lawyer. Thus, the privilege assures the client

57. Id. Commentators have advanced two principal justifications for the doctrine of privilege. The utilitarian justification holds that free communication is essential to relationships, such as attorney-client and physician-patient, that society values. Id. The more recent non-utilitarian justification bases the privilege on the need to protect the essential privacy of certain significant human relationships. Id.

58. Upjohn Co. v. United States, 449 U.S. 383, 389 (1981); Union Carbide Corp. v. Dow Chem. Co., 619 F. Supp. 1036, 1046 (D. Del. 1985); 8 JOHN H. WIGMORE, EVIDENCE § 2290 (John T. McNaughton rev. 1961). Many jurisdictions, including the federal tribunals, have codified the doctrine. See, e.g., 49 C.F.R. § 1103.23 (1994) (stating the practitioner's duties and responsibilities toward a client before the Interstate Commerce Commission); Fed. R. Evid. 501 (stating that except as otherwise required, privilege in federal courts "shall be governed by the principles of common law as they may be interpreted by the courts of the United States in the light of reason and experience"). Courts typically cite two principle definitions of the privilege. Dean Wigmore phrased the general principle of the attorney-client privilege as:

(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived.

8 WIGMORE, supra, § 2292 (footnote omitted). Judge Charles E. Wyzanski provided another frequently cited definition of the privilege:

The privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.


59. Upjohn, 449 U.S. at 389; accord Fisher v. United States, 425 U.S. 391, 403 (1976); McCormick, supra note 56, § 92 ("T[s]tudy it is agreed that the basic policy of the rule is that of encouraging clients to lay the facts fully before their counsel."). By providing the attorney and the client with a confidential forum in which to discuss the client's problems, the privilege allows the attorney to represent the client more effectively and advance the interests of justice. See
that the attorney will hold the disclosures in confidence. The privilege belongs to the client only, not the attorney.\textsuperscript{60} It protects communications clients make to attorneys for the purpose of obtaining legal advice.\textsuperscript{61}

1. **Attorney-Client Privilege in Patent Cases Under the Federal Circuit**

The Federal Circuit has described the attorney-client privilege as "a basic, time-honored privilege \[warranting\] careful consideration."\textsuperscript{62} Rule 501 of the Federal Rules of Evidence provides that principles of federal common law should govern privileges applied to issues, like those in patent cases, arising under federal law.\textsuperscript{63} Originally, American courts did not apply

\textit{Upjohn}, 449 U.S. at 389 (stating that the attorney-client privilege promotes "broader public interests in the observance of law and administration of justice"); Gregory J. Battersby & Charles W. Grimes, \textit{The Attorney-Client Privilege and Work-Product Immunity in the Eyes of the Accused Infringer}, 15 AIPLA Q.J. 231, 232 (1987) ("The attorney-client privilege recognizes that sound legal advice or advocacy serves the public interest and that such advice or advocacy depends upon the lawyer being fully informed by his or her client.").

60. \textit{Unif. R. Evid.} 502(b) (1986); 8 \textit{Wigmore}, \textit{supra} note 58, § 2321. Lawmakers during the reign of Elizabeth I originally formulated the privilege to protect the "oath and the honor" of the attorney. \textit{Id.} § 2290. During the eighteenth and nineteenth centuries, however, the belief that a client should be free from apprehension in consulting his legal advisor gradually replaced that rationale for the privilege. \textit{Id.} Therefore, only the client, either personally or by attorney, may assert the privilege. \textit{Unif. R. Evid.} 502(c) (1986). The privilege also applies to corporate clients, despite their impersonal nature. \textit{Upjohn}, 449 U.S. at 389-90.

61. \textit{Upjohn}, 449 U.S. at 394-95; \textit{Fisher}, 425 U.S. at 403. Unlike attorney work product, attorney-client communications need not be made in anticipation of litigation to be protected. \textit{See} \textit{McCormick}, \textit{supra} note 56, § 96. While all courts apply the privilege to qualifying statements from the client to the attorney, some do not apply it to communications from the attorney to the client; most courts, however, allow the privilege when an attorney-to-client communication otherwise meets the general requirements of privilege. \textit{See} United States v. Amerada Hess Corp., 613 F.2d 980, 986 (3d Cir. 1980) ("Legal advice or opinion from an attorney to his client, individual or corporate, has consistently been held by the federal courts to be within the protection of the attorney-client privilege.") (citations omitted); Natta v. Hogan, 392 F.2d 686, 693 (10th Cir. 1968) ("The recognition that privilege extends to statements of a lawyer to a client is necessary to prevent the use of the lawyer's statements as admissions of the client."). Courts have also applied the privilege to information communicated by the attorney's agents. \textit{See}, e.g., \textit{Zenith Radio Corp. v. Radio Corp. of Am.}, 121 F. Supp. 792, 794 (D. Del. 1954) (holding communication privileged, in part, if person to whom communication was made is member of bar or his immediate subordinate and is acting as a lawyer in connection with the communication).


the privilege to clients in patent litigation because the courts believed the communications were technical in character and therefore non-legal. Courts, including the Federal Circuit, now hold the preparation and prosecution of patent applications and opinion letters privileged when the communications otherwise meet the general privilege requirements. For a communication directed from the attorney to the client, the Federal Circuit applies the privilege when the communication directly or indirectly reveals the substance of a confidential communication by the client.

2. Waiver of the Attorney-Client Privilege

The attorney-client privilege is not absolute; clients may waive the privilege either expressly or impliedly. Through

64. See, e.g., Zenith Radio, 121 F. Supp. at 794 (holding that attorney-client privilege only applies to patent attorneys when they are "acting as a lawyer" and that this does not include writing patent applications or even the general application of patent law to developments at their companies); cf. United Shoe Mach. Corp., 89 F. Supp. at 359 (holding that legal advice related to a fact attained from a patent is not privileged because a patent is a public document).

65. Sperry v. Florida ex rel Florida Bar, 373 U.S. 379, 383 (1963) (noting that a patent constitutes "one of the most difficult legal instruments to draw with accuracy"). In rebuffing the rationale that legal opinions based on public documents cannot be privileged, the District Court for the District of Columbia wrote, "If an attorney-client communication could be discovered if it contained information known to others, then it would be the rare communication that would be protected and, in turn, it would be the rare client who would freely communicate to an attorney." In re Ampicillin Antitrust Litigation, 81 F.R.D. 377, 390 (D.D.C. 1978); see also In re Natta, 410 F.2d 187, 190-94 (1969) (granting protection to attorney work product as well as attorney-client communications), cert. denied, 396 U.S. 836 (1969); Hercules Inc. v. Exxon Corp., 434 F. Supp. 136, 146-47 (D. Del. 1977) (extending attorney-client privilege to patent agents working under direct supervision of an attorney); Collins and Aikman Corp. v. J.P. Stevens & Co., Inc., 51 F.R.D. 219, 220 (D.S.C. 1971) ("Work product and attorney-client privileges exist in the field of patent law and must be respected by the court in regulating discovery.").


67. Since the privilege belongs to the client, only the client, or the client's attorney or agent acting with the client's authority, may waive the privilege. McCormick, supra note 56, § 93. In a corporation, the corporate management retains the authority to claim or waive the privilege. Id.

68. Tasby v. United States, 504 F.2d 332, 336 (8th Cir. 1974), cert. denied, 419 U.S. 1125 (1975); 8 Wigmore, supra note 58, § 2292. A party effects an express waiver by an intentional statement or conduct to that effect. See Weil v. Investment/Indicators, Research and Management, Inc., 647 F.2d 18, 24 (9th Cir. 1981) ("Voluntary disclosure of the content of a privileged attorney communication constitutes waiver of the privilege as to all other such communications on the same subject."). An implied waiver occurs when a party allows
what is known as "at issue" waiver, a client may waive the privilege by putting a certain communication at issue. For example, a client can waive the privilege either by disclosing a privileged communication or by asserting reliance on the advice of counsel in a privileged letter as an essential element of its defense. The Federal Circuit finds an "at issue" waiver when: the privileged party puts its confidence at issue through an affirmative act; the assertion of the privilege results in manifest injustice to the opposing party; and the information sought is "vital" or "necessary" to the defense.

Once a court decides that a waiver of privilege has occurred, it must determine the scope of the waiver. Under the doctrine of subject-matter waiver, a client, by waiving the privilege on certain communications, effects a waiver of the privilege for other communications related to the same subject matter.

otherwise privileged information to be submitted into evidence or accidentally discloses privileged information to a non-privileged party. Hercules, 434 F. Supp. at 156.

69. Waiver in this situation derives from traditional notions of waiver and holds that by taking an action which places the privileged communication "at issue," a party may lose the privilege if, to avoid unfair prejudice, truthful resolution of the action requires access to the information by the opposing party. Allen v. West Point-Pepperell Inc., 848 F. Supp. 423, 429 (S.D.N.Y. 1994). See generally Remington Arms Co. v. Liberty Mut. Ins. Co., 142 F.R.D. 408, 411-16 (D. Del. 1992) (conducting an historical review of implied waiver resulting from placing attorney-client communications "at issue").

70. The rationale here is similar to that underlying "at issue" waiver when a party produces a document; since the party has placed its state of mind (claiming reliance on opinion of counsel) at issue, the opposing party, out of fairness, should have access to all information which could have helped the first party form its state of mind. See Sequa Corp. v. Gelmin, No. 91 Civ. 8675, 1994 WL 538124, at *2 (S.D.N.Y. Oct. 3, 1994) (noting that reliance on the advice of counsel is the most commonly cited example of "at issue" waiver).


73. See McCormick-Morgan Inc. v. Teledyne Indus. Inc., 765 F. Supp. 611, 613-14 (N.D. Cal. 1991). Because evidence of an attorney's advice to a client would not tend to make the existence of any fact of consequence to the determination of the action more or less probable, it would not be relevant under Federal Rule of Evidence 401, which defines relevant evidence as "evidence having any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence." FED. R. EVID. 401; Thorn EMI N. Am., Inc. v. Micron Technology, Inc., 837 F. Supp. 616, 620 (D. Del. 1993). When the alleged
This doctrine is based on the principle that it is unfair to allow a party to choose among its privileged communications and produce only those favorable to the party's case. By requiring the production of all communications related to the same subject-matter, the court prevents the party from hiding unfavorable evidence and gives the opposing party access to possible rebuttal evidence.\footnote{Id.}

In patent litigation, courts often apply subject-matter waiver when an accused infringer produces a privileged opinion letter from counsel. The waiver's scope in this area, however, is unclear. While some district courts have limited the waiver to communications directly related to the production of the opinion letter,\footnote{See, e.g., Pitney-Bowes, Inc. v. Mestre, 86 F.R.D. 444, 446-47 (S.D. Fla. 1980) (inferring waiver when the defendant asserted good faith reliance on the advice of counsel).} most have extended it to all communications relating to the subject matter of the letter,\footnote{See, e.g., Macrovision Corp. v. VSA Ltd., 1989 WL 112808, at *1 (D. Or. Sept. 20, 1989) ("The voluntary disclosure of the content of a privileged attorney communication waives the privilege as to all other attorney communications on the same subject."); Smith v. Alyeska Pipeline Serv. Co., 538 F. Supp. 977, 979-80 (D. Del. 1982) (requiring production of all the documents relating to infringement), aff'd, 758 F.2d 668 (Fed. Cir. 1985); Nye v. Sage Prods., Inc., 98 F.R.D. 452, 453 (N.D. Ill. 1982) ("Production of some privileged documents waives privilege as to all documents of the same subject matter.").} and some have even extended it to the attorney work product.\footnote{See, e.g., Mushroom Assocs. v. Monterey Mushrooms, Inc., 24 U.S.P.Q.2d (BNA) 1767, 1771 (N.D. Cal. 1992) ("By asserting the advice of counsel defense, the defendants have waived their attorney work product immunity."); Central Soya Co. v. Geo. A. Hormel & Co., 581 F. Supp. 51, 54 (W.D. Okla. 1982) (stating that the waiver included all the documents related to the patent claim covered by attorney-client privilege and/or work product doctrine).}
C. Kloster and Fromson: Establishing the Negative Inference

The Federal Circuit, in Kloster Speedsteel AB v. Crucible, Inc.\(^78\) and Fromson v. Western Litho Plate and Supply Co.,\(^79\) narrowed the attorney-client privilege in patent litigation. In both cases, the court held that where the infringer did not produce an exculpating opinion of counsel, the district court could infer the infringer either did not obtain an opinion or obtained an unfavorable opinion.\(^80\)

In Kloster, the plaintiff and accused infringer, Stora Kopparbergs Bergslags AB ("Stora"), attempted to defeat a finding of willfulness by relying on a memorandum from its chief technical expert. The expert prepared the memorandum after the charge of infringement but before Stora commenced its infringement in the United States.\(^81\) The memorandum stated that Stora would presume that the patent was valid until it could conduct an evaluation of the patent's validity and concluded that if the patent was valid, Stora's product infringed the patent.\(^82\) The Federal Circuit affirmed a finding that Stora proceeded with the infringement on the assumption, as stated in the memorandum, that the patents were valid and infringed.\(^83\) The court concluded, without citing precedent, and with no reference to the attorney-client privilege that, "Stora's silence on the subject, in alleged reliance on the attorney-client privilege, would warrant the conclusion that it either obtained no advice of counsel or did

\(^{80}\) Kloster, 793 F.2d at 1560; Fromson, 853 F.2d at 1572-73.
\(^{81}\) Kloster, 793 F.2d at 1577. Stora, though the accused infringer, was also the plaintiff because it filed a declaratory judgment action after being charged with infringement of the defendant's patent on a high-speed tool steel. Id. at 1569-70.
\(^{82}\) Id. at 1577. A part of the memorandum excerpted by the court read: Crucible [the defendant] maintains that additional patent claims, based on an old patent application, have now been approved in the USA and that these patent claims are so worded that we are infringing on them by selling ASP-steel in the USA. We have for now no possibilities for checking this, but must proceed [on the assumption] that it is true. A new search for prior art has been started and the material that has come to hand will be evaluated at the latest by April 15th. If enough solid prior art are found by them, we can bring an action against Crucible and begin to sell ASP-steel in the USA. If the new patent claims, on the other hand, should be judged to be valid, we will be closed out of the American market for the foreseeable future.

\(^{83}\) Id.
so and was advised that its importation and sale of the accused products would be an infringement of valid U.S. patents.  

Two years later, in *Fromson*, the defendant refused to answer interrogatories on whether it obtained counsel’s opinion before it began the infringing activity until it was found liable for infringement at trial. The Federal Circuit, again without referring to the attorney-client privilege, concluded that the district court could make a negative inference based on the defendant’s assertion of the attorney-client privilege. Again, the court failed to cite authority for its conclusion apart from its earlier decision in *Kloster*.

II. CRITICISM OF THE FEDERAL CIRCUIT’S INFRINGEMENT

A. EFFECTS OF THE NEGATIVE INFRINGEMENT ON ACCUSED INFRINGERS AND THE PATENT BAR

While the inference sanctioned by the Federal Circuit in *Fromson* and *Kloster* has some logic, the Federal Circuit adopted the inference without discussing its rationale. The court’s approach differs considerably from that of other courts considering the issue in similar situations. For example, the Court of Appeals for the Fourth Circuit recently refused to ap-

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84. Id. at 1580.
85. *Fromson*, 853 F.2d at 1572.
86. Id. at 1572-73. The court stated: “Where the infringer fails to introduce an exculpatory opinion of counsel at trial, a court must be free to infer that neither no opinion was obtained or, if an opinion were obtained, it was contrary to the infringer’s desire to initiate or continue its use of the patentee’s invention.” Id.; see Paul R. Rice, *Attorney-Client Privilege in the United States* § 10:7 (1993) (“In addition, it sanctioned this negative inference without addressing the issue of whether it would be perceived by potential clients as making the act of consulting with an attorney a risk, and therefore be inconsistent with the privilege’s rationale of encouraging clients to freely consult with attorneys.”).
87. *Fromson*, 853 F.2d at 1572.
88. The inference bears a resemblance to the “missing witness” rules, whereby the unexplained failure to call an available witness who possesses knowledge about a material issue and is within the control of a party permits an inference that the witness’ testimony would have been adverse to that party. See Rice, *supra* note 86, § 10:7 (discussing negative inferences arising from an assertion of privilege). Opinion letters in a patent infringement suit, however, differ from statements of a general witness which are seldom protected by a privilege. In addition, courts have historically exercised considerable restraint before applying the “missing witness” rules. *Id.*
89. *See supra* notes 84-87 and accompanying text (noting the lack of support in the court’s decision).
ply a negative inference from the exercise of the privilege in a contract action.\(^9\)

Federal district courts have also refused to apply the negative inference in patent cases. For example, the District Court for the Northern District of Ohio refused to apply a negative inference when a defendant had obtained two opinion letters, but would not disclose one of them, relying on the attorney-client privilege.\(^9\) The court stated that "[the defendant's] failure to offer the opinion cannot be used to infer willfulness since that would undermine the purpose of the privilege."\(^9\) Likewise, the District Court for the Southern District of New York, in a case pre-dating both \textit{Kioster} and \textit{Fromson}, reached the same result.\(^9\) Because a negative inference would threaten the attorney-client privilege, the court refused to draw an inference when the ac-

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90. \textit{Parker v. Prudential Ins. Co. of America}, 900 F.2d 772, 775 (4th Cir. 1990). The parties in \textit{Parker} disputed whether the plaintiff's acceptance of an insurance policy refund constituted an accord and satisfaction that would block any further action on the policy. \textit{Id.} at 775. Plaintiff's state of mind was thus an important element of the case. When asked to testify about the advice he had given his client, the plaintiff's former attorney asserted the attorney-client privilege. \textit{Id.} The trial court upheld the assertion of the privilege, but drew the inference that the attorney had advised the client that accepting the check would constitute an accord and satisfaction, and granted a directed verdict for the defendant. \textit{Id.} The appellate court rejected the inference because it was inconsistent with the privilege. \textit{Id.} The court stated:

Thornton's testimony relates to [the plaintiff's] state of mind when she deposited the check from Prudential. However, the testimony is only probative if one infers that the attorney told her acceptance of the check either would or would not waive further claims for the policy benefits. Any such inference would intrude upon the protected realm of the attorney-client privilege. The privilege was created to protect the right to effective counsel. "[A]n individual in a free society should be encouraged to consult with his attorney whose function is to counsel and advise him and he should be free from apprehension of compelled disclosures by his legal advisor." To protect that interest, a client asserting the privilege should not face a negative inference about the substance of the information sought.

\textit{Id.} (footnote and citations omitted). British courts have also protected the attorney-client privilege from negative inferences for many years:

The exclusion of such evidence is for the general interest of the community, and therefore to say that when a party refuses to permit professional confidence to be broken, everything must be taken most strongly against him, what is it but to deny him the protection which, for public purposes, the law affords him, and utterly to take away a privilege which can thus only be asserted to his prejudice.


92. \textit{Id.}

cused infringer's attorney would not produce relevant documents in a patent infringement case. 94

B. THE INference SHIFTS THE BURDEN OF PROOf TO THE ACCUSED INFRINGER WITHOUT A LOGICAL BASIS

Not only did the Federal Circuit fail to consider the effect of the inference on the attorney-client privilege, it also did not address the probable shift in burdens of proof between the patentee and the accused infringer caused by the inference. The inference, when combined with the court's earlier imposition on the accused infringer of a duty of due care, 95 effectively eliminates the burden on the patentee to prove willfulness, and places a corresponding burden on the accused infringer to explain its actions in almost all circumstances. 96 The Federal Circuit technically requires the patentee to prove willfulness by clear and convincing evidence. 97 Under the Kloster and Fromson standard, however, a patentee need only prove that the infringer knows about the patent and has not produced an exculpatory opinion at trial. 98 The negative inference, in effect, pro-

94. Id. The court stated:
   It is clear that the assertion of the claim of privilege can give rise to no adverse inferences. This is so, irrespective of the nature of the proceeding in which the claim is made, since every conscientious lawyer is duty-bound to raise the claim in any proceedings in order to protect communications made in confidence. . . . The attorney-client privilege has long been recognized as essential to proper administration of justice. . . . I am, frankly, hesitant to do anything which would contribute to the undermining of the protection afforded by the time-honored rule which excludes from evidence such confidential communications.

Id. at 101-02 (citation omitted).

95. See supra notes 41-44 and accompanying text (describing the affirmative duty of due care the court places on an accused infringer under Underwater Devices).

96. One commentator notes that "[a]fter Underwater, a patent owner did not have to prove the bad faith state of mind of the infringer. It only had to prove that the infringer (1) knew of the patent and (2) its relation to infringer's activities, and (3) thereafter commenced infringing acts or continued them." Stanley L. Amberg, Waiver of the Attorney-Client Privilege by Asserting a Good-Faith State of Mind Defense, 73 J. PAT. & TRADEMARK OFF. Soc'y 271, 273 (1991).


98. Amberg, supra note 96, at 273; see also Cox, supra note 39, at 595 ("Even though lip service is paid to the requirement that willful infringement be proven by clear and convincing evidence, the alleged infringer who seeks to avail himself of the attorney/client privilege is faced with a deck stacked against him.").
vides the rest of the patentee's prima facie case for the issue of willful infringement. 99

This low burden of proof on the patentee forces a cautious patent attorney, when drafting an opinion letter, to assume the worst and expect an eventual waiver of the attorney-client privilege. 100 Patent attorneys now write opinions with an eye toward the jury rather than toward giving the client good advice. 101 As a result, the client may not receive a candid, evenhanded assessment of its position despite the great expense of the letter. The negative inference thus abrogates the goal of the attorney-client privilege of fostering communication between the attorney and the client. 102

If a defendant's failure to produce an opinion of counsel invariably leads to the conclusion that the defendant is trying to hide an unfavorable opinion, the negative inference might be justified. The Federal Circuit, however, overlooked the fact that an infringer may have legitimate reasons for choosing not to disclose its opinion letter. The accused infringer may not wish to produce the letter because it contains statements describing the party's litigation or business strategy. 103 Additionally, the accused infringer may not care to explain to the jury legal theories

100. Donald R. Dunner & Richard L. Rainey, Opinions of Counsel, Privilege in Patent Litigation and Prejudice from Claiming Privilege, in PATENT LITIGATION 1993, at 285, 298 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. G-376, 1993) (recommending that patent attorneys "should assume that whatever opinion is generated will more probably than not have to be produced to the opposing party").
101. Rice, supra note 86, § 10:7 ("At the very minimum, the inferences will likely encourage clients to obtain 'showpiece' written opinions for potential litigation purposes and more candid opinions through some means . . . that cannot easily be discovered."); Racine & Bosch, supra note 1, at 420 (stating that clients obtain opinions from counsel more for protection than as an effort to avoid infringement of a patent). The inference also interferes with the patent attorney's ethical obligation to give frank advice to his client. See MODEL R. PROF. CONDUCT 2.1 (1992) ("In representing a client, a lawyer shall exercise independent professional judgment and render candid advice.").
102. See Upjohn Co. v. United States, 449 U.S. 383 (1981) (addressing the scope of the attorney-client privilege in the corporate context); Cox, supra note 39, at 589 (warning that the inference encourages the "drafting of opinion letters which do not honestly reflect the attorneys [sic] thoughts and advice").
103. For instance, the opinion letter may state specific reasons given by counsel for advising the accused infringer that the plaintiff's patent is either invalid or not infringed. See Dunner & Rainey, supra note 100, at 287 ("If, on the one hand, the accused infringer produces the opinion to his adversary, he provides his opponent with what could be . . . a veritable road map to his theories of the case, not to mention admissions which will be played back to the fact finder like a fine violin.").
in the opinion letter that differ from those of the current trial strategy. Moreover, a client may often want its patent attorney of long standing to represent it at trial. If the attorney who wrote the opinion letter also represents the accused infringer at trial, the patentee may call the attorney as a witness, forcing the attorney's removal from the case.

The Federal Circuit has provided no clear guidance on what situations warrant a negative inference. Because the inquiry is fact-based and dependent on a totality of the circumstances, anomalous results invariably ensue, forcing patent attorneys to practice as though a district court will apply the inference in any given case. The Federal Circuit also reviews willfulness determinations under a "clearly erroneous" standard, exacerbating the problem by affirming many marginal cases and leaving observers to wonder whether the court will apply the same analysis to similar factual situations in the future.

A privilege which is uncertain or results in widely varying application by the courts is little better than no privilege at all. Though district courts have not always applied the inference, it hangs over the practicing patent attorney and presents an unfair dilemma for the accused infringer.

104. See id.

105. See, e.g., Amsted Indus. Inc. v. National Castings, Inc., 16 U.S.P.Q.2d 1737, 1741 (N.D. Ill. 1990) (requiring oral testimony from the attorney who wrote the opinion to determine whether the client withheld material information). The attorney has an ethical obligation to withdraw as trial counsel if called as a witness for his own client, "except where: (1) [t]he testimony relates to an uncontested issue; (2) [t]he testimony relates to the nature and value of legal services rendered in the case; or (3) [d]isqualification of the lawyer would work substantial hardship on the client." MODEL R. PROF. CONDUCT 3.7 (1989).


107. See, e.g., Pavlak, supra note 26, § 3.04 ("For every decision that says a particular fact or circumstance is a basis for willful infringement, there is another decision which disregards or rejects that same fact or circumstance."); Garland P. Andrews, Willful Infringement of Patents, in PATENT LAW ANNUAL § 8.02[2] (1988) (stating that the Federal Circuit's willfulness doctrine creates confusion by basing findings on a clearly erroneous standard of review and a "totality of the circumstances" finding of fact).

108. See, e.g., Upjohn Co. v. United States, 449 U.S. 383, 389 (1981) (acknowledging that the privilege may only be effective where the parties are free from the apprehension of disclosure).

C. THE INFEERENCE HAS LITTLE PRACTICAL EFFECT

The inference of Kloster and Fromson has had little effect on the final disposition of any particular kind of case. Whether the defendant presents an opinion of counsel or not, some cases clearly do not involve willful infringement. In other cases, the infringer’s egregious conduct, or other evidence of bad faith, compels a finding of willfulness regardless of the existence of an opinion letter. The most difficult cases fall in the middle, where the numerous factors of the “totality of the circumstances” test point in different directions.

The court seldom considers whether the infringer obtained an opinion of counsel in cases where the non-opinion factors clearly indicate the infringement was not willful. Where the infringement is clearly willful, the court need not concern itself with the presence or absence of an opinion letter. Because the external factors weigh so heavily against the infringer, an exculpatory opinion is of little help; the existence of an opinion letter is simply irrelevant to the court.

Where the courts do apply the inference, it serves to increase the magnitude of an already large amount of evidence, merely soothing the court’s fear that it did not adequately support its decision. Courts and juries have such broad discretion in finding willfulness and awarding increased damages that most cases reflect a “gut feeling” reaction to the accused infringer’s conduct. The factfinder’s overall reaction to the

110. In Delta-X Corp. v. Baker Hughes Production Tools, Inc., 984 F.2d 410 (Fed. Cir. 1993), for example, the Federal Circuit affirmed a district court which set aside a jury’s willfulness finding. Id. at 415. The district court found that the record showed no evidence of copying, that Baker in good faith concluded that its device did not infringe, and that Baker mounted a substantial challenge to the infringement charge. Id. at 414. The Federal Circuit noted, “[a]lthough Baker did not obtain an opinion of counsel about the likelihood of infringement, the district court . . . correctly noted that failure to obtain legal advice does not mandate a finding of willfulness or bad faith.” Id.

111. For example, in L.A. Gear, Inc. v. Thom McAn Shoe Co., 988 F.2d 1117, 1126-27 (Fed. Cir.), cert. denied, 114 S. Ct. 291 (1993), the defendant admitted that it copied the athletic shoe patented by the plaintiff, explaining that copying is prevalent in the fashion industry. The court noted that under Kloster, the defendant’s failure to produce an opinion letter could support the drawing of an adverse inference. Id. at 1126. The court’s willfulness finding, however, was based on factor’s other than the absence of the opinion letter. The court stated, “[d]efendant’s] deliberate copying was strong evidence of willful infringement, without any exculpatory evidence to balance the weight.” Id. at 1127.

112. See Chisum, supra note 106, at 41 (arguing that the “totality of the circumstances” standard exerts a destabilizing effect on patent disputes and causes parties to take unreasonable positions).
infringer's entire pattern of conduct, both before and during the litigation, typically determines the outcome of the willfulness issue.\textsuperscript{113} The Federal Circuit's standard that willfulness findings should be based on the totality of the circumstances blurs each of the factors making up the totality of the circumstances, forcing the factfinder to reconstruct the accused infringer's intent from a mass of evidence.

The "borderline" cases create the most difficulty and are likely candidates for an application of the Kloster inference. The inference provides a convenient tie-breaker when the evidence does not clearly suggest the defendant's bad faith. The patentee will seldom meet its burden of proving willfulness by clear and convincing evidence and will rely upon a negative inference to tilt the balance toward a finding of willfulness. In these cases courts again should not apply the inference. The Federal Circuit has enumerated almost a dozen factors aside from opinion letters to guide willfulness determinations.\textsuperscript{114} If the patent holder cannot establish a clear and convincing case of willful infringement with these available factors, an opinion letter drafted by counsel friendly to the infringer will be of little help.\textsuperscript{115}

D. BIFURCATION: THE FEDERAL CIRCUIT'S PROPOSED SOLUTION

The Federal Circuit appears to be moving away from a strict, broad-based application of the inference—perhaps recognizing the damaging effect the negative inference has had on accused infringers and the weakness of the inference. In one case where the accused infringer did not present an opinion of counsel, the court stated, "there is no per se rule that an opinion let-

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{113} Pavlak, supra note 26, § 3.04.
\item \textsuperscript{114} See supra notes 26-36 and accompanying text (describing the non-opinion factors in the "totality of the circumstances" test for willful infringement).
\item \textsuperscript{115} For example, in Pall Corp. v. Micron Separation, Inc., 792 F. Supp. 1298 (D. Mass. 1992), the district court noted that because Micron, the accused infringer, made extensive use of Pall's patent and did not obtain an opinion letter, increased damages appeared appropriate. Id. at 1331. Nevertheless, the court did not find the infringement willful. Id. The court noted that the failure to consult counsel was "not terribly troublesome" because Micron's employees were experienced in the industry and made significant efforts to avoid the claims of the patent. Id. With factors indicating both willful and nonwillful infringement, the court considered the presence or absence of an opinion letter irrelevant where Pall was required to show that the "infringer had no reasonable basis for believing it had a right to [participate in the infringing acts]." Id. (quoting Stickle v. Heublein, Inc., 716 F.2d 1550, 1565 (Fed. Cir. 1983)).
\end{enumerate}
\end{footnotesize}
ter from patent counsel will necessarily preclude a finding of willful infringement, ... nor is there a per se rule that the lack of such a letter necessarily requires a finding of willfulness." In a recent case, the Federal Circuit agreed that a district court properly drew a negative inference from the accused infringer's refusal to produce an opinion of counsel. The circuit court, nevertheless, held that the defendant's assertion of the privilege did not raise an irrebuttable presumption of willfulness, reasoning that such a rule would not accommodate the consideration of other facts, nor respect the right to assert the attorney-client privilege.

The Federal Circuit recently tried to solve the problems caused by the negative inference by urging the district courts to bifurcate patent trials. The court stated that trial courts should not, without careful consideration, force an accused infringer to choose between waiving the privilege to protect itself from a willfulness finding, and maintaining the privilege, in which case it risks being found a willful infringer by the inference. The court recommended that trial courts give "serious consideration" to separate trials on liability and willfulness.

The patent bar has warmly received the court's suggestion, because it eliminates several of the problems created by the inference. The accused infringer is not required to produce the opinion letter until after it has been found liable for infringe-

118. Id. The court stated, "there are no hard and fast rules in respect to willfullness," and found the content of the opinion letter irrelevant, deciding that the defendant only infringed the patent to establish a controversy so that it could bring a declaratory judgment action. Id. at 1056-57. The court apparently believed such an act exhibited good faith.
120. Id. at 644.
121. The ABA Section of Intellectual Property Law agrees that the issue of willfulness should be bifurcated in jury trials:

RESOLVED, that the Section of Intellectual Property Law supports in principle the proposition that an accused patent infringer should not be required to disclose its attorneys' opinions to a jury or offer other evidence before a jury in defense to a charge of willfulness before it has been found liable for infringement; and Specifically, the Section favors the adoption, either by the courts or by legislation, of a rule that in all patent cases tried to a jury, trial of willfulness should be deferred until after liability for infringement is established.

1993-94 A.B.A. SEC. INT. PROP. L. ANN. REP. 362. By delaying the introduction of the opinion letter until a later trial, bifurcation eliminates the danger that the accused infringer will be prejudiced because its defenses in the opinion letter differ from those at trial. See Andrews, supra note 107, § 8.03[3] ("The
ment, so it need not worry about divulging its plans to either opposing counsel or the jury during the liability portion of the trial. Patent attorneys may, therefore, feel more comfortable writing opinion letters that reflect their real views about the accused infringer's potential liability. As a result, their clients should receive more valuable, candid advice about legal options.

The district courts, however, have not readily followed the Federal Circuit's suggestion. While some courts have granted motions for bifurcation, many others have denied motions, citing judicial economy. The true weight of the Kloster inference falls on those defendants whose motions for bifurcation are denied.

Considering the wide discretion granted trial courts when deciding the issue of bifurcation, few district courts will likely change their practices based on the Federal Circuit's suggestion.
to bifurcate. While the Federal Circuit could use its role as the reviewing court for all patent appeals to order the district courts to bifurcate liability and damage issues in all patent cases, this would waste judicial resources in cases where there is little reason to bifurcate. Such a course is unlikely in light of the court's earlier faint-hearted suggestion that courts bifurcate patent trials. Similarly, Congress is unlikely to require bifurcation since a blanket requirement would increase the load on already-strained judicial resources.

III. FREEING THE ACCUSED INFRINGER OF ITS DILEMMA

Although the Federal Circuit's negative inference has little real effect in the courtroom, it has had a great effect on the way accused infringers interact with patent counsel. The Federal Circuit should limit the language of Kloster to cases in which an inference is logical: where the district court is willing to grant a motion for bifurcation. Under this logic, non-bifurcated trials would return to a standard where the patentee must carry the full burden of proving willful infringement by clear and convincing evidence without any help from the court. The accused infringer would have the option of introducing its opinion letter to refute evidence of willful infringement. Introduction of the letter would waive the attorney-client privilege for all communication related to similar subject matter; however, the waiver would be voluntary. Alternatively, the accused infringer could assert the attorney-client privilege and keep all opinions out of the trial. As a result, the patentee and the accused infringer would have to establish or rebut willfulness using the various

131 F.R.D. 607, 608-09 (N.D. Ga. 1989), listed the following considerations for a decision to bifurcate:

125. See supra notes 15-17 and accompanying text (discussing the exclusive appellate jurisdiction of the Federal Circuit over patent litigation).
factors aside from opinion letters in the “totality of the circumstances” test. 126

This solution still presents the accused infringer with a dilemma; 127 unlike the dilemma caused by the Federal Circuit’s inference, however, this dilemma is fair to both parties. Privileges protect only communications, not the underlying facts themselves; the patentee, therefore, still has access to all nonprivileged data to establish the accused infringer’s bad faith. 128 The accused infringer must make a difficult choice, but no rule can remove all difficult choices from litigation. The non-opinion letter factors should clearly establish nonwillfulness for the infringer if it exercised due care. If the non-opinion factors are not clear, however, the infringer must make a choice between asserting the privilege or producing the opinion letter, but at least the threat of an adverse inference is not forcing its hand.

Removing the inference in unbifurcated trials should also encourage more district courts to give “serious consideration” to separate trials for liability and willfulness. 129 The accused infringer will desire bifurcation to keep evidence of its willful infringement out of the liability portion of the trial. In addition, the patentee will lobby the trial court to bifurcate so that it can gain access to the opinion letter or receive the benefit of the negative inference during the willfulness trial.

Patentees may argue that this approach would hurt them when the evidence is close and the withheld opinion letter is unfavorable. An unscrupulous infringer presenting a convincing case at trial may obtain relief from liability by sitting on an unfavorable opinion letter and depriving the patentee of a fair trial. Such a scenario is unlikely. Where a well represented patentee cannot establish copying or clear infringement at trial, an

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126. See supra notes 26-36 and accompanying text (describing factors aside from opinion letters in the “totality of the circumstances” test).

127. If the defendant relies on a favorable opinion letter, the court will force it to produce all other documents related to the same subject matter. See supra notes 72-77 and accompanying text (describing subject matter waiver). The defendant, by holding on to the letter, may be unable to rebut the patent holder’s prima facie case of willfulness based on other factors in the “totality of the circumstances” test.

128. See Hewlett-Packard Co. v. Bausch & Lomb Inc., 115 F.R.D. 308, 309 (N.D. Cal. 1987) (noting that the policy supporting the attorney-client privilege is defensible because the system offers so many devices for discovering the facts and exposing the evidence).

129. See supra note 120 and accompanying text (describing the Federal Circuit’s recommendation that trial courts give “serious consideration” to bifurcation).
opinion letter written by counsel hired by the infringer is unlikely to further the patentee's case. Rather, where the issue of infringement is close, patent counsel who fears the negative inference will have little problem establishing a credible invalidity/non-infringement claim in the opinion letter.

The slight prejudice from the rare case where an infringer is allowed to hide an unfavorable opinion behind other favorable factors does not warrant the Federal Circuit's intrusion on the attorney-client privilege. Negative inferences are not based on the bare fact that a party withholds a piece of evidence, but on nonproduction when it would be natural for the party to produce the evidence if it had been favorable. When a party relies on a sustainable attorney-client privilege, however, courts should not draw a negative inference from nonproduction of the evidence. By eliminating the threat of the negative inference, the Federal Circuit can remove a major uncertainty for parties involved in patent litigation and thereby open communications between the parties and their attorneys.

CONCLUSION

The Federal Circuit's inference has scared patent practitioners into writing lily-white opinion letters for their clients, while giving real advice behind closed doors. As a result, attorneys face an ethical quandary and clients do not receive the quality, impartial legal advice they pay for.

Any beneficial effect of the inference in practice is questionable at best. The patentholder must establish willfulness by clear and convincing evidence, and the courts typically apply the inference only after the patentholder introduces substantial evidence that the accused infringer willfully infringed the patent. The inference, in effect, serves only to allay the court's fear that it has not conclusively established the infringer's liability by allowing the court to pile on more evidence against the accused infringer.

When combined with its deleterious effect on attorney-client communications, the inference's minimal effect at trial compels

130. McCormick, referring to negative inferences from assertion of the attorney-client privilege, submits, "[t]he best solution is to recognize only privileges which are soundly based in policy and to accord those privileges the fullest protection." McCormick, supra note 56, § 47.1 (emphasis added).

131. See 2 Wigmore, supra note 58, § 286.

132. 8 Wigmore, supra note 58, § 2322.

its elimination in certain situations. If the trial court refuses to bifurcate the trial, thereby eliminating many of the inequities caused by the inference, the factfinder should be unable to apply the inference. If the trial court agrees to bifurcate, the application of an inference makes sense, and the court will be free to apply it. Accused infringers can thus be confident that judges and juries will not be able to consider their opinion letters during the determination of liability, and patent attorneys can draft opinion letters that better advise their clients.