Sea Change for Attorney-client Privilege

The *Seagate* case may erode the privilege in patent lawsuits — or it may just turn a 24-year-old legal standard on its head.

John P. Mello Jr., CFO.com
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Patent litigation "can be ruinous if it turns out badly," observes Alison Tucher, a partner with the law firm of Morrison & Foerster. Understandably, then, a court case that threatens to erode attorney-client privilege in patent lawsuits — and that may turn a 24-year-old legal standard on its head — has attracted considerable attention.

In Re Seagate Technology, which will be argued before the full panel of the U.S. Court of Appeals for the Federal Circuit, stems from a lawsuit filed in 2000 in U.S. District Court for the Southern District of New York. Disk-drive maker Convolve and the Massachusetts Institute of Technology alleged that Seagate and Compaq, a personal-computer maker now owned by Hewlett-Packard, were making disk drives that infringed on Convolve's exclusive license on vibration-control technology developed by MIT. The plaintiffs sought $800 million in damages.

For patent attorneys and for companies with intellectual-property concerns, however, the infringement issues of the *Seagate* case are less important than the procedural ones.

Since the appeals court's 1983 decision in *Underwater Devices Inc. v. Morrison Knudsen Co.,* a company accused of infringing a patent has had an affirmative duty to exercise due care to avoid infringement. The company so accused often asked an attorney for an opinion on the merits of the claim and the patent itself. Under current case law, the opinion can later be used in court as evidence that any infringement was not willful — and thus not subject to treble damages.

When a company uses an attorney's opinion as a defense against willfulness, however, then its communications with that individual are no longer protected by attorney-client privilege and must be disclosed. "The courts want to make sure that attorneys and clients don't collaborate on sham opinions" drafted solely to shield the company, explains Douglas Miro, a partner with Ostrolenk, Faber, Gerb & Soffen.

In the *Seagate* case, the district court extended that disclosure to communication between the company and its trial attorney. The ruling forces "a patent defendant to choose between an opinion of counsel defense to willfulness and preserving the confidentiality of its communications with trial counsel regarding the merits of its case," Seagate argued in its motion to the appeals court. Orders issued by the district court, the company continued, "give the plaintiffs a license to invade the most sacred of attorney-client communications — those directed to trial strategy and preparation. [They] destroy Seagate's ability, not only to adequately defend itself, but even to fairly evaluate the case by consulting with its trial lawyers."

If you're worried that your lawyer may be cross-examined or even "testify about everything that was discussed about the pros and cons and the strengths and weaknesses of your case," observes Charles Barquist, a partner with Morrison & Foerster, "that's going to inhibit your ability and confidence to talk to your lawyer candidly."

Tucher concurs: "Any trial lawyer knows it is hard to work up a case properly with the other side's lawyer listening in. The Federal Circuit should take this opportunity to overturn *Underwater Devices* so that lawyers can provide full and frank advice to their clients, in confidence."

Others see an opportunity to mend a system that's more concerned with legalistic gamesmanship than substance. The "see no evil" approach toward willful infringement "encourages people not to look for problems," argues patent attorney William F. Heinze, of Thomas, Kayden, Horstemeyer & Risley. "Sometimes clients would be better off if they found out about patent problems early in the design process, when they can do something about it."

In Re Seagate Technology may be heard by the appeals court as early as May.

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