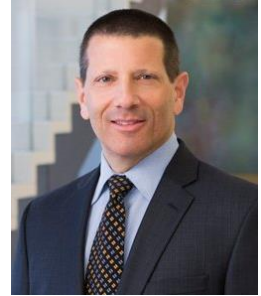


# A Paradigm Shift to Limit the Scope of Waiver of Privilege When Relying on Opinion of Counsel in Defense of Claims for Willful Patent Infringement and Enhanced Damages

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## How to limit waiver of privilege in defense of willful patent infringement claims

You may have already heard about District Judge Cleland's decision that defendant's voluntary waiver of privilege to rely on an opinion of counsel also waived separate litigation counsel's privilege and work product claims for communications prior to filing of the lawsuit. *Zen Design Group Limited v Scholastic, Inc.*, Case No. 16-12936 (E.D. Mich.) (Dkt. 54 Order dated June, 22, 2018) ("[Order](#)"). While frightening in many respects, what is important about this decision is that it proposes a paradigm shift in how clients and litigation counsel can respond to an infringement charge, safely rely on an opinion of counsel to avoid willful infringement, and avoid a scope of waiver that disgorges litigation counsel's pre-lawsuit privileged and work product communications.

## The new paradigm is straightforward

When charged with infringement, hire opinion counsel first, get counsel's competent opinion (if you can) and rely on it. Then, with your state of mind established, go retain litigation counsel. What is unfortunate is that this is counterintuitive. And it lays a trap for the uninformed and unwary who, following the old paradigm, might find some of their most critical pre-trial advice at risk of being disclosed as a consequence of relying on an opinion to avoid willfulness and enhanced damages.

Faced with an infringement charge, such as a cease and desist letter, many clients will need, want and hire a litigator to advise and help guide a tactical response to the infringement claim. They also may want that aggressive litigator to negotiate with the patent owner to settle the dispute, and handle any litigation that may result. Certainly, that is what Scholastic did in this case.

In response to an infringement charge, a prudent client, whether based on prior experience or litigation counsel's suggestion, might also retain independent opinion counsel to provide an opinion of no liability, (and advice how to design around the infringement claim) that could be relied on in good faith to continue its business. Then, if litigation ultimately follows, that opinion can be produced (and privileged waived as to the subject matter of the opinion) to counter a charge of willful infringement, and separately to rebut a claim for enhanced damages. This Scholastic also did.

## How the old paradigm became a pitfall

Where Scholastic ran into trouble, according to Judge Cleland, is that Scholastic **first** retained its litigation counsel and started working with them, and **then** hired separate counsel who provided an opinion of non-infringement. By waiving privilege to rely on the non-infringement opinion against willful infringement, a conventional and reasonable litigation tactic, however, the Court found that Scholastic

also waived its litigation counsel's privileged and work product communications related to the subject matter of the opinion that were made prior to the date the complaint was filed.

This broad scope of subject matter waiver occurred here because, as the court noted, willfulness looks at "pre-lawsuit" conduct and the defendant's state of mind, and, depending on the advice defendant received from litigation counsel, it may or may not have been reasonable for defendant to rely on opinion counsel's opinion.

### **The judge's logic behind the broad waiver**

The court first noted that litigation counsel and opinion counsel serve different functions. Judge Cleland then focused the inquiry on when "trial counsel" was retained, and rejected a "bright line" rule regarding when "an attorney's role morphs from pre-suit advisory counsel into pre-trial strategy counsel" in a favor of a case by case analysis. On the facts of the case, the court found that, prior to filing of the lawsuit, trial counsel was acting more like an attorney providing "'the competent legal opinion of non-infringement or invalidity' than 'defenses prepared by litigation counsel' for trial." (Order at 14), and the potential prejudice would be greater to plaintiff (if not waived) than defendant (if waived) (Order at 15). Another factor that supported the waiver determination was that litigation counsel participated in the pre-litigation negotiations with the patent owner prior to the filing of the lawsuit.

### **Unintended consequences**

Recognizing the paradigm shift consequence of this decision, Judge Cleland gave Scholastic an option to produce litigation counsel's communications on the same subject matter of the opinion, or withdraw its waiver and reliance on the opinion counsel's opinion. A reverse Hobson's choice.

### **Takeaways: You can limit the scope of waiver to exclude or at least minimize litigation counsel's privileged and work product communications**

Clearly, what happened in this case is not what an accused infringer who acted prudently and obtained a competent opinion expected to hear. It remains to be seen whether this decision will remain unchallenged, or be widely adopted by other district courts. Post-*Halo/Stryker*, the focus is on the client's pre-suit activity and state of mind when evaluating willful infringement and enhanced damages. Therefore, if you are going to obtain an opinion to possibly rely on, it would be best to do so before you retain litigation counsel. Otherwise, there is a risk that, notwithstanding an ethical wall between litigation and opinion counsel, the subject matter waiver made to rely on the opinion will extend to litigation counsel's communications. As Judge Cleland's opinion explains, the facts of the case (likely requiring an *in camera* review of withheld documents) will establish the date when litigation counsel began to act more "in anticipation of litigation" than as "an advisor on issues of infringement and invalidity," and limit the temporal scope of the waiver as to litigation counsel. This might be one slippery slope to avoid.

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