Miscellaneous Docket No. 830

IN THE

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

United States Court of Appeals

OCT 17 2006

FOR THE FEDERAL CIRCUIT

JAN HORBALY
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IN RE SEAGATE TECHNOLOGY, LLC,

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For The Federal Circuit

Petitioner

ON PETITION FOR A WRIT OF MANDAMUS TO THE
UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK
(HON. GEORGE B. DANIELS)

OPPOSITION OF RESPONDENTS CONVOLVE, INC. AND MASSACHUSETTS INSTITUTE OF TECHNOLOGY TO THE PETITION OF SEAGATE TECHNOLOGY LLC FOR A WRIT OF MANDAMUS TO THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

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CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 27(b)(1) and 47.4, counsel for respondents certifies the following:

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

Convolve, Inc.

Massachusetts Institute of Technology

2. The names of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

for Convolve, Inc.: NONE

for Massachusetts Institute of Technology: NONE

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

for Convolve, Inc.: NONE

for Massachusetts Institute of Technology: NONE

4. There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the parties represented by me in the trial court or are expected to appear in this Court are:

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PRELIMINARY STATEMENT

Respondents Convolve, Inc. and Massachusetts Institute of Technology oppose Seagate Technology LLC's petition for a writ of mandamus, to the United States District Court for the Southern District of New York, seeking to vacate orders holding that: once Seagate elected to rely in defense of willful patent infringement on legal opinions received after litigation began, it waived the attorney-client privilege (inclusive of communicated work product) for all counsel, including in-house and trial counsel, on the same subject matter; that the waiver did not extend to uncommunicated opinion work product; and that all documents implicating trial strategy, but otherwise within the scope of the waiver, could be submitted for in camera review. The district court's discretionary and fact-based rulings, rooted in this Court's precedent, are inappropriate for mandamus review.

This Court recently held that "[i]t is what the alleged infringer knew or believed . . . that informs the court of an infringer's willfulness." In re EchoStar Communc'ns Corp., 448 F.3d 1294, 1303 (Fed. Cir), petition for cert. filed (U.S. Oct. 3, 2006) (No. 06-485). Seagate's willfulness defense relies on opinions of opinion counsel received up to three years after the lawsuit was filed. What Seagate knew or believed when it received these opinions and throughout the course of its ongoing infringement will determine whether its reliance has been reasonable. Seagate, however, refuses to disclose what it knew or believed to the extent that its knowledge is based on communications with in-house or trial

counsel, who are separate from Seagate's opinion counsel. On these facts, the district court correctly held that Seagate's reliance on post-suit opinions put its knowledge at issue, and, because its state of mind was affected by in-house and trial counsel in addition to opinion counsel, the privilege (inclusive of communicated work product) is waived for all of its counsel.

The district court did not extend the waiver to opinion work product that Seagate never received, reasoning that uncommunicated work product would be of little assistance in determining whether Seagate knew it was infringing. While EchoStar also protected "legal analysis that was not communicated" to the client, this Court went beyond the district court orders to require disclosure of uncommunicated work product specifically referencing waived attorney-client communications. EchoStar, 448 F.3d at 1304. Here, the district court also offered added protection to Seagate by inviting in camera review of any documents in which client communications were intermingled with trial strategy. Convolve, Inc. v. Compaq Computer Corp., 224 F.R.D. 98, 105 (S.D.N.Y 2004), aff'd, 1/7/05 and 7/11/06 Orders. (Exhs. A & B).

Seagate never availed itself of the in camera review process set up by the district court. It did not submit a single document to the district court for inspection. Nor did it provide a privilege log identifying documents responsive to the district court's orders. Rather, it precipitously rushed into this Court seeking

mandamus review on a generalized privilege claim, which is not ripe for consideration and has all the hallmarks of a request for an advisory opinion.

For these reasons, the district court orders, which were the culmination of three years of motion practice resulting in at least ten decisions requiring disclosure of waived in-house and trial counsel communications, represent a proper exercise of discretion that is not ripe for review, much less clearly erroneous, and that does not present novel or important issues mandating mandamus review.

COUNTERSTATEMENT OF THE ISSUES

Whether, once an accused infringer relies on legal opinions obtained after litigation began in defending a willful infringement claim, the district court abused its discretion by: requiring disclosure of all attorney-client communications, including those with in-house and trial counsel, on the same subject matter, declining to compel disclosure of uncommunicated opinion work product, and inviting in camera review of any responsive documents implicating trial strategy.

Whether an accused infringer, having made the strategic decision to rely on an advice-of-counsel defense to the charge of willful patent infringement, can use legal advice as a sword to avoid enhanced damages and as a shield to

prevent inquiry into whether its reliance on exculpatory opinions of counsel was reasonable.

Whether the district court's exercise of discretion, on a case-by-case basis, in determining the scope of the waiver resulting from an advice-of-counsel defense to a charge of willful patent infringement, presents a sufficiently novel and important issue as to warrant mandamus review.

COUNTERSTATEMENT OF THE CASE

This is a case of willful patent infringement by Seagate and by Compaq Computer Corporation of: U.S. Patent No. 4,916,635 issued to MIT on April 10, 1990 (disclosing a method to reduce vibration in physical systems) and U.S. Patent No. 6,314,473 issued to Convolve on November 6, 2001 (disclosing an application of the methods of shaping inputs to a disk drive and providing a user interface to select between a faster seek time or lower noise level). Seagate learned of the MIT patent in 1995, and, by October 1999, Seagate had assigned in-house patent/licensing counsel to analyze its claims. (Pet. 10, n. 16; Exh. C: 1/20/04 Hearing Tr. 20, 73-76). Seagate was notified that it had infringed the Convolve patent after that patent issued on November 6, 2001. Convolve, 224 F.R.D. at 104.

In April 2000, still months before suit was filed, Seagate retained counsel to advise it on the MIT and Convolve technologies. (Exh. C: 1/20/04 Hearing Tr. 71-72). In May 2000, Seagate retained Gerald Sekimura (who

previously had served as trial counsel to Seagate in other cases) to provide an opinion with regard to the MIT patent. (Pet. 8). On June 7, 2000, Seagate issued a press release launching technology "standard on all new Seagate personal storage products, including the U Series 5, the world's quietest hard drive for mainstream desktop computers and Personal Video Recorders." (Exh. D: Complaint, at Exh. C). As of the date of Seagate's press release, Mr. Sekimura had not provided Seagate with any opinion, and Seagate was receiving advice from in-house and outside counsel only. On July 13, 2000, Seagate and Compaq were sued by respondents for trade secret misappropriation and willful infringement of the MIT patent. The Seagate press release figured prominently in the Complaint, and it was attached as an exhibit to the pleading. (Id.).

Eleven days after the litigation began, Mr. Sekimura provided Seagate with a "preliminary" opinion on the MIT patent and an examination of selected claims of a pending International Patent Application, which corresponded to the subsequently issued Convolve patent-in-suit. (Pet. 8). This "preliminary" opinion is dated July 24, 2000. On July 27, 2000, Seagate's Board of Directors met with Seagate's trial counsel to discuss the 7/24/00 Sekimura opinion. Seagate has asserted the privilege to obstruct discovery of what occurred at the meeting. (Exh. C: 1/20/04 Hearing Tr. 85-88).

On December 29, 2000, Seagate received another opinion on the MIT patent from Mr. Sekimura. In that document, he recommended postponing further

review of the International Patent Application until the Convolve patent had issued. (Pet. 9). The Convolve patent issued on November 6, 2001. On January 25, 2002, respondents filed an Amended Complaint, adding a claim for willful infringement of the Convolve patent. (Pet. 7; see Exh. E: Amended Complaint). Also in that same month, Seagate's lead trial attorney joined a new law firm, and Seagate retained that firm as trial counsel. (Pet. 10). As of this date and throughout the remainder of 2002, Mr. Sekimura provided no opinions regarding the new Convolve patent, although Seagate was then fully engaged in infringing the patent and had been sued for doing so.

It was not until February 21, 2003 -- fifteen months after the Convolve patent issued -- that Seagate received an opinion from Mr. Sekimura on that patent. Convolve, 224 F.R.D. at 104. In this fifteen month interval, during which Seagate had no opinion from Mr. Sekimura on the Convolve patent, Seagate continued manufacturing and selling disk drives accused of infringing both patents-in-suit in consultation with its in-house and trial counsel.

A scheduling order entered in the case required "each defendant that will rely on an opinion of counsel as part of a defense to a claim of willful infringement" to produce, by February 24, 2003, "opinion(s) as to which that defendant agrees the attorney-client privilege or work product protection has been waived," together with a complete privilege log. (Exh. F: 4/16/02 Order, p. 10). Seagate "notified the plaintiffs [on February 24,] 2003 of [its] intent to rely on the

7/24/00, 12/29/00, and 2/21/03 Opinions from Mr. Sekimura as the basis for [its] advice-of-counsel defense to the claim of willful patent infringement." Convolve, 224 F.R.D. at 100. This notification came three years after the litigation began, during which time the reasonableness of Seagate's asserted reliance on the Sekimura opinions was affected by communications with its in-house and trial counsel. What Seagate knew and believed during the course of its ongoing infringement -- a core factor in any willfulness determination -- has been improperly concealed under "sword and shield" claims of privilege and work product protection.

COUNTERSTATEMENT OF DISTRICT COURT PROCEEDINGS

Seagate acknowledges that, by asserting an advice-of-counsel defense to willful patent infringement, it has waived its attorney-client privilege and work product protection. Convolve, 224 F.R.D. at 99. The scope of its waiver has been the subject of three years of motion practice, producing at least ten orders requiring disclosure of in-house and trial counsel communications on the same subjects as the Sekimura opinions. Id., at 104 (reviewing the prior procedural history). The district court did not extend Seagate's waiver to uncommunicated work product -- a fact Seagate never once mentions in its petition. Id. at 105-107. The court also offered Seagate the option to produce, for in camera review, documents that were within the scope of the waiver, but that also implicated trial strategy. Id., at 105. Seagate has never availed itself of this procedure.

Seagate seeks to vacate the magistrate judge's orders entered on May 28, 2004 (reported at 224 F.R.D. 98) and September 8, 2004 (Exh. G), together with the district judge's July 11, 2006 affirmances of those orders as to Seagate. (Exhs. B & H) The magistrate judge's May 28, 2004 order, which separately addressed Compaq's waiver of privilege and work product protection, was affirmed as to Compaq on January 7, 2005. (Exh. A; see also Exh. I, affirming the 9/8/04 Order as to Compaq). Compaq did not move for mandamus after the district judge compelled production of its communications with in-house and trial counsel (on whom Compaq has admitted relying),[1] and Compaq has not joined Seagate's petition. Consequently, the district court's fact-specific orders pertaining to Compaq's waiver are not before this Court.

Seagate filed two stay motions in the district court, both of which were denied. (Exh. J: 7/26/06 Order; Exh. K: 9/14/06 Order). The district court found that a stay was not warranted because its discretionary orders followed EchoStar, and because "Seagate has not shown that it is more likely to suffer prejudice than any other litigant whose claim of privilege has been overruled." (Exh. J: 7/26/06 Order, at p. 2). Seagate also moved for certification of an interlocutory appeal under 28 U.S.C. § 1292(b), which was denied on September 27, 2006. (Exh. L: 9/27/06 Order). Finding that Seagate had not "demonstrated that this is an extraordinary case warranting departure from the

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[1] (Exh. C: 1/20/04 Hearing, Tr. 10-11).

general rule that appeals may only be taken from final judgments" (id., at p. 4), the district court held:

> In this case, the orders at issue only address a pre-trial discovery dispute, namely, the scope of Seagate's waiver of the attorney-client and work-product privileges, a determination that lies within the sound discretion of the district court . . . and "depends heavily on the factual context in which the privilege is asserted." . . . Fact-dependent matters that are within the district court's discretion, such as the scope of a privilege waiver, do not involve a "controlling issue of law" under § 1292(b).

(Id., at p. 3) (citations omitted). "Seagate's opportunity to submit for in camera review any documents it 'wishes to withhold or redact,'" the district court correctly concluded, "makes this an issue not ripe for appellate review." (Id., at p. 5).

Seagate then proceeded to file its mandamus petition and a stay motion in this Court. Seagate's stay motion was granted on September 29, 2006 -- the day on which it was filed. Seagate's motion failed to inform the Court that uncommunicated work product was excluded from the waiver, that the district court had provided as in camera review safeguard, and that Seagate had not submitted any documents for in camera review, thereby failing to exhaust its remedies in the district court. The motion also wrongly stated that "Convolve has not indicated whether it will oppose this motion or not", although respondents had previously notified Seagate of their intention to oppose the motion when filed. (Respondents' 10/16/06 Motion to Vacate Stay, at Exh. A; Seagate's 9/29/06 Stay

Motion, p. 2). Respondents have separately moved to vacate the stay on these grounds.

ARGUMENT

I. MANDAMUS IS INAPPROPRIATE FOR REVIEW OF DISCRETIONARY ORDERS OR TO OBTAIN AN ADVISORY OPINION.

Seagate has the onerous burden of demonstrating that its right to the "extraordinary remedy" of mandamus is "'clear and indisputable.'" Gulfstream Aerospace Corp. v. Mayacamas Corp., 485 U.S. 271, 289 (1988); Allied Chem. Corp. v. Daiflon, Inc., 449 U.S. 33, 35-36 (1980) (citation omitted). This Court "review[s] the district court's determination as to the scope of the waiver for an abuse of discretion." EchoStar, 448 F.3d at 1300. Where, as here, the district court's decision is committed to its discretion, "it cannot be said that a litigant's right to a particular result is 'clear and indisputable.'" Allied Chem., 449 U.S. at 36; accord In re Regents of Univ. of Cal., 101 F.3d 1386, 1388 (Fed. Cir. 1996) (cited at Pet. 14) (holding that mandamus is not available to review "'a mere discretionary [ruling]'"), cert. denied, 520 U.S. 1193 (1997); In re W.R. Grace & Co., 984 F.2d 587, 589 (2d Cir. 1993) (holding that case-by-case application of evidentiary privileges does not warrant mandamus review).

Nor is mandamus a vehicle for obtaining an advisory opinion. "Federal Courts do not sit . . . to decide hypotheticals or to issue advisory

opinions." Laitram Corp. v. Cambridge Wire Cloth Co., 919 F.2d 1579, 1581 (Fed. Cir. 1990), cert. denied, 506 U.S. 831 (1992). However, that is precisely what Seagate is seeking here. The district court gave Seagate the opportunity to submit for in camera review any documents it wished to withhold or redact. Seagate did not submit a single document to the court, and it has not provided a privilege log responding to the waiver orders. By reflexively turning to this Court as part of its endless war of attrition, Seagate has, in effect, asked a hypothetical question, which "would be difficult to characterize as anything but advisory." United States Nat'l Bank of Oregon v. Independent Ins. Agents of Am., Inc., 508 U.S. 439, 447 (1993). As the Supreme Court has stated, courts should "decline to lay down a broad rule or series of rules to govern all conceivable future questions in this area [of attorney-client privilege], even if [the courts] were able to do so." Upjohn Co. v. United States, 449 U.S. 383, 386 (1981).

II. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION IN FINDING THAT SEAGATE WAIVED THE PRIVILEGE AND COMMUNICATED WORK PRODUCT WITH RESPECT TO IN-HOUSE AND TRIAL COUNSEL.

Seagate takes the position that, unless in-house and trial counsel function as "reliance" opinion counsel, their communications with the client are absolutely privileged. This approach is fundamentally inconsistent with EchoStar, other Federal Circuit precedent, and the overarching policy of promoting fairness when an advice-of-counsel defense to willfulness is asserted.

1. Seagate's "Bright-Line" Test Is At Odds With *EchoStar* And With *Knorr-Bremse*.

This Court has rejected a bright line test for defining the parameters of a privilege waiver. "There is no bright line test for determining what constitutes the subject matter of a waiver, rather courts weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures." Fort James Corp. v. Solo Cup Co., 412 F.3d 1340, 1349-1350 (Fed. Cir. 2005), cert. denied, 126 S. Ct. 1768 (2006) (cited in EchoStar, 448 F.3d at 1299, 1301, 1303).

A bright-line test, allowing Seagate to conceal what it "knew or believed" at the time it received the Sekimura opinions and throughout the course of its ongoing infringement, fundamentally contradicts this Court's "totality of the circumstances" approach to willfulness determinations. See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1342 (Fed. Cir. 2004) (holding that "[d]etermination of 'willful infringement' is made on consideration of the totality of the circumstances"); see also EchoStar, 448 F.3d at 1303 ("It is what the alleged infringer knew or believed . . . that informs the court of an infringer's willfulness."). Seagate's "blanket immunity" approach is selective disclosure with a benign label, but equally as pernicious. Consider the following exchange between the district court and counsel for Seagate and Compaq:

> THE COURT: Well, does that then insulate any communications that trial counsel may have with the client, even if those communications would tend to undercut the reasonableness of the client's reliance on formal opinion counsel? Let me give you an example. . . . [Y]our client gets Mr. [Sekimura's] opinion and goes to your firm and says gee, what do you think of this. And there's no formal opinion offered by your firm, but the informal response is gee, this is the sloppiest work I've ever seen, . . . there's no factual basis for it, they misread the law, but now you've got a formal opinion of counsel, run with it. . . . [A]nd that's the advice provided. Wouldn't that certainly go to the reasonableness of your client's reliance on [the] formal opinion?
>
> MR. GOLDMAN: No.

(Exh. C: 1/20/04 Hearing Tr. 47-48).

> MR. MCMAHON (representing Seagate): . . . [W]hen you asked Mr. Goldman whether or not there's . . . a hard line or a bright line between opinion counsel and litigation counsel, I agree with what he said. Absolutely there is a bright line here. And there has to be.

(Id., at Tr. 87).

This telling exchange highlights how far Seagate is willing to go in order to conceal inconvenient, potentially dispositive, facts about its state of mind, as well as how antagonistic Seagate's position is to the governing law. Seagate may not use the privilege to conceal information contradicting the Sekimura opinions or rendering its reliance on them unreasonable. See EchoStar, 448 F.3d at 1301 (holding that the privilege applies only where necessary for the client to "conform his activities to the law"). If disclosure would, as Seagate suggests,

"compromise [its] litigation position" (Pet. 21), because Seagate cannot truthfully testify that it reasonably relied on the Sekimura opinions, then Seagate cannot lawfully, and its counsel cannot ethically, assert that defense at trial. See Nix v. Whiteside, 475 U.S. 157, 173 (1986) (holding that a party's "right to counsel includes no right to have a lawyer who will cooperate with planned perjury").

2. Seagate's Selective Disclosure Is Exactly The Type Of "Sword And Shield" Litigating Tactics That This Court Has Rejected.

Seagate's representation that there are no "sword and shield" tactics at work is belied by its own petition. (Pet. 1, 3, 18, 20-21). Seagate litters its petition with unsworn attorney statements such as: "[n]o opinions were sought or obtained from trial counsel" (id., at 10); "Seagate never sought nor received advice from trial counsel regarding the merits of the opinions of Mr. Sekimura" (id., at 11); and "Seagate's reliance on the opinions is . . . reasonable and bona fide" (id., at 18). Seagate protests too much. If it has nothing responsive to produce, then why is it engaging in these serial, desperate, and delaying efforts to avoid production at all costs?

Additionally, Seagate's presentation of attorney argument as if it were evidence is not only highly improper (Laitram Corp., 919 F.2d at 1583), but the statements themselves also constitute an independent privilege waiver. Where, as here, "a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the

same subject matter." EchoStar, 448 F.3d at 1301. In fairness, these selectively disclosed assertions require "examination of protected communications" relating to them. United States v. Bilzerian, 926 F.2d 1285, 1292 (2d Cir.), cert. denied, 502 U.S. 813 (1991). The district court did not abuse its discretion in so holding. Having chosen to defend willfulness by waiving the privilege, Seagate is in no position to preclude Convolve and MIT from investigating its assertions.

3. The District Court Orders Respect And Preserve Uncommunicated Opinion Work Product.

Seagate's petition charges that the district court orders "pillaged all of [its] litigation strategies." (Pet. 21). This histrionic misrepresentation is not only false, but it also deliberately omits mention of the district court's creation of safeguards precisely for the purpose of protecting uncommunicated work product and trial strategy. In fact, the district court specifically excluded uncommunicated opinion work product from the scope of the waiver: "Seagate's trial counsel is not obligated to disclose any work product, uncommunicated to Seagate, relating to the subject matter of the opinions issued to Mr. Sekimura." Convolve, 224 F.R.D. at 107. This holding is fully consistent with EchoStar's conclusion that "legal analysis that was not communicated" to the client is outside the scope of the waiver, except to the extent it may otherwise evidence waived attorney-client communications. EchoStar, 448 F.3d at 1304.

The district court's safeguarding of uncommunicated work product is a material limitation on the waiver, and it is dispositive of Seagate's petition, which, at best, seeks an advisory opinion. However, Seagate's petition never once mentions it. Rather, Seagate crops a quotation from the district court's decision to make it appear as though the waiver is without bounds. Seagate twice charges that the district court ordered that "trial counsel's advice on the subjects of infringement, validity, and enforceability '**must be disclosed even if it is communicated in the context of trial preparation.**'" (Pet. 4, 12, emphasis in original). The district court actually held:

> . . . [C]are should be taken to minimize the disclosure of communications pertaining to trial or litigation strategy. To be sure, trial counsel's advice that undermines the reasonableness of the client's reliance on advice of counsel must be disclosed even if it is communicated in the context of trial preparation. But, at the same time, trial counsel will surely address with the client trial strategy concerning validity, infringement, and enforcement in ways that do not implicate the advice-of-counsel defense. Therefore, to the extent that Seagate wishes to withhold or redact documents that would reveal trial strategy or planning, it shall submit those documents for my in camera review.

Convolve, 224 F.R.D. at 105. Holding that "trial counsel's advice that undermines the reasonableness of the client's reliance on advice of counsel must be disclosed even if it is communicated in the context of trial preparation" is hardly controversial. Id. Moreover, by providing for in camera review, the district court

carefully tailored its ruling to reach a proper balance among competing concerns on a document-by-document basis.

4. The District Court Correctly Defined The Waiver By Information Communicated To Seagate, Not By Which Attorney Communicated It.

The sole relevant inquiry is what Seagate knew, based on what has been communicated to Seagate, when it elected to rely on the Sekimura opinions and during the ensuing period of ongoing infringement. EchoStar, 448 F.3d at 1303. Whether the information Seagate received, relevant to its reliance, came from opinion counsel, in-house counsel, or trial counsel is as "immaterial [as] whether [the defendant's] opinion counsel and trial counsel are from the same firm, different firms or are even the same person." Informatica Corp. v. Business Objects Data Integration, Inc., 2006 U.S. Dist. LEXIS 53429, at *3 (N.D. Cal. July 14, 2006), aff'd, 2006 U.S. Dist. LEXIS 58976 (N.D. Cal. Aug. 9, 2006). The privilege simply "does not protect disclosure of the underlying facts by those who communicated with the attorney. . . ." Upjohn, 449 U.S. at 395; see also EchoStar, 448 F.3d at 1303 (holding that, "[u]pon waiver of attorney-client privilege, communicative documents . . . become evidence of non-privileged, relevant fact, namely what was communicated to the client").

EchoStar, like the district court here, extended the waiver beyond the attorney who rendered the reliance opinion to other attorneys on whose opinions the accused infringer "elected not to rely." EchoStar, 448 F.3d at 1299.

> . . . [W]hen EchoStar chose to rely on the advice of in-house counsel [functioning as opinion counsel], it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house [opinion] counsel, which would include communications with Merchant & Gould [on whose opinion EchoStar "elected not to rely"].

EchoStar, 448 F.3d at 1299. Both EchoStar and the district court in this case relied on Akeva LLC v. Mizuno Corp., 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003), which held that "all opinions received by the client relating to infringement must be revealed, even if they come from defendants' trial attorneys." See EchoStar, 448 F.3d at 1299, 1302, 1303 n. 4; Convolve, 224 F.R.D. at 103, 104, 106, 108.

Seagate's attempt to distinguish Akeva on its facts misreads the case entirely. Akeva involved an opinion counsel who was "a patent attorney not connected with either defendant or their litigation attorney." Akeva, 243 F. Supp. 2d at 419, 424. As in this case, the Akeva defendants were "not asserting reliance on the opinion of trial attorneys, but only on the opinion of an attorney separately retained for his opinion." Id., at 422.[2] On these analogous facts, Akeva held that the waiver "is not limited to the advice given by opinion counsel," but, rather,

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[2] Seagate cites Ampex Corp. v. Eastman Kodak Co., 2006 U.S. Dist. LEXIS 48702 (D. Del. July 17, 2006), in support of its position. Ampex's holding, however, depended upon distinguishing Akeva by finding that opinion counsel and trial counsel were one and the same person. Id., at *11. However, the Akeva court made plain that this was not the case; opinion counsel and trial counsel were from different firms. Akeva, 243 F. Supp. 2d at 424. In light of its fundamental misreading of Akeva, the holding in Ampex is of questionable authority.

extended to "attorneys other than opinion counsel," "oral opinions of trial counsel," and other trial counsel opinions "even if they pre-date or post-date the advice letter of opinion counsel." Id., at 423-424.

Moreover, the Akeva decision, which issued before Seagate notified respondents of its intention to rely on the Sekimura opinions, clearly enunciates the principles governing this Court's willfulness jurisprudence, and thus the decision totally undermines Seagate's professed "belie[f], based upon decades of [unidentified] precedent, that, if it maintained separate trial and opinion counsel, waiver of the privilege associated with an advice of counsel defense would not extend to trial counsel." (Pet. 20). Akeva included within the waiver trial counsel, who were not functioning as opinion counsel.[3] Moreover, the decision in Ampex Corp. v. Eastman Kodak Co., 2006 U.S. Dist. LEXIS 48702 (D. Del. July 17, 2006), on which Seagate places heavy emphasis (Pet. 23-26), is not, as Seagate claims, the only post-EchoStar waiver decision involving separate trial and opinion counsel. See Outside the Box Innovations, LLC v. Travel Caddy, Inc., 2006 U.S. Dist. LEXIS 74060, at **9-10, 13 (N.D. Ga. Oct. 5, 2006) (extending waiver to

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[3] Akeva did not write on a blank slate, even in the patent context. See, e.g., Beneficial Franchise Co. v. Bank One, N.A., 205 F.R.D. 212, 217, 219 (N.D. Ill. 2001) (finding waiver, where opinion counsel and trial counsel were from different firms); Thermos Co. v. Starbucks Corp., 1998 U.S. Dist. LEXIS 17753, at **7-9, 13-14 (N.D. Ill. Nov. 3, 1998) (same); Electro Scientific Indus., Inc. v. General Scanning, Inc., 175 F.R.D. 539, 539-540 (N.D. Cal. 1997) (same); Micron Separations, Inc. v. Pall Corp., 159 F.R.D. 361, 363, 365 (D. Mass. 1995) (same).

separate trial counsel); Static Control Components, Inc. v. Lexmark Int'l, Inc., 2006 U.S. Dist. LEXIS 40612, at *22 (E.D. Ky. June 15, 2006) (same).

Seagate cites Ampex for the proposition that the waiver extends only to formal written opinions of counsel, and thus it would not reach trial counsel advice orally communicated to the client, or communicated in other ways that do not rise to the level of a formal opinion letter. Ampex, 2006 U.S. Dist. LEXIS 48702, at *10 (declining to consider trial counsel "'advice' or 'opinions' on a par with the legal opinions that were at issue in EchoStar"). However, EchoStar does not support this ruling. EchoStar recognized a broad subject matter waiver extending to "any attorney-client communications relating to the same subject matter" and held that, "[w]hether counsel is employed by the client or hired by outside contract, the offered advice or opinion is advice of counsel or an opinion of counsel." EchoStar, 448 F.3d at 1299. The district court's decision in this case is fully consistent with EchoStar: ". . . [T]he limitation of discovery to 'opinions' communicated from counsel is inconsistent with the broad scope of a 'subject matter waiver,' which extends to 'all communications on the same subject matter.'" Convolve, 224 F.R.D. at 108.

Thus, Seagate's self-serving assertion that "it did not receive any 'reliance opinions' from its trial counsel" or in-house counsel is not dispositive. Convolve, 224 F.R.D. at 104. EchoStar fully supports the district court's holding that Seagate's disclaimer does "not foreclose the possibility that trial [and in-

house] counsel communicated informal opinions or oral advice. The subject matter waiver arising from the advice-of-counsel defense clearly extends to all such 'communications,' not just formal or written opinions." Id.; EchoStar, 448 F.3d at 1299 It is the totality of the circumstances, and not descriptive labels affixed by Seagate, that determine what Seagate reasonably relied on. There is thus no basis in EchoStar or established waiver principles for Seagate's suggestion that an accused infringer may obtain "formal" opinion letters and use them as a sword in litigation, but then shield other attorney-client communications, self-servingly labeled as "informal," even though they may be dispositive of the reasonableness of the infringer's reliance on the "formal" opinions it has received.

5. The District Court Correctly Defined The Temporal Scope Of The Waiver To Include The Post-Filing Period.

"Since infringement is a continuing activity, th[e] requirement of reasonable care is a continuing duty, meaning that the nature of any legal advice sought remains relevant 'during the entire course of the alleged infringement.'" Convolve, 224 F.R.D. at 104 (quoting Akeva, 243 F. Supp. 2d at 423, discussing the "totality of the circumstances test"). Because this is so, "[t]he time period of the waiver runs from the time Seagate became aware of the patents at issue and continues until such time as Seagate's alleged infringement ends." Convolve, 224 F.R.D. at 105; accord EchoStar, 448 F.3d at 1299, 1302 n. 4 (citing Akeva).

A post-filing waiver is particularly appropriate in this case, "since the [Sekimura] opinions that triggered the waiver were not obtained until after the suit commenced, meaning that evaluating the effect of later-received contrary opinions on Seagate's state of mind would necessarily implicate the post-filing period." Convolve, 224 F.R.D. at 104 n. 5. For example, Seagate did not receive the Sekimura opinion on the Convolve patent until February 2003, fifteen months after that patent had issued and thirteen months after Seagate had been sued for infringing it. Id., at 99-100. The only advice Seagate apparently received during this fifteen-month period of infringement of the Convolve patent came from its in-house and trial counsel. Concealing the information that Seagate had learned from these attorneys as of the date Seagate received, and then relied upon, the 2/21/03 Sekimura opinion would be tantamount to denying respondents discovery on whether Seagate's alleged reliance was reasonable.

In this respect, Seagate's citation to Ampex is once again unavailing. The Ampex defendant relied on a legal opinion obtained before, not after, the lawsuit was filed. Ampex, 2006 U.S. Dist. LEXIS 48702, at **7, 12 (citing Indiana Mills & Mfg., Inc. v. Dorel Indus., Inc., 2006 U.S. Dist. LEXIS 34023, at **19-20 (S.D. Ind. May 26, 2006), a decision subsequently withdrawn, at 2006 U.S. Dist. LEXIS 47852, at **1-2 (S.D. Ind. July 14, 2006), after the judge learned that, contrary to his original understanding, the accused infringer had received and relied on a legal opinion after the lawsuit began). See also Intex Recreation Corp.

v. Team Worldwide Corp., 439 F. Supp. 2d 46, 52-53 (D.D.C. 2006) (applying waiver to trial counsel where opinion counsel advised the accused infringer after the lawsuit was filed). The temporal scope of the waiver, corresponding to the receipt of post-suit opinions and the period of ongoing infringement, is fully consistent with the waiver of in-house and trial counsel communications during the post-suit time frame.

III. THE DISTRICT COURT ORDERS ARE FULLY CONSISTENT WITH *KNORR-BREMSE* AND THE COURT'S EMPHASIS ON THE TOTALITY OF THE CIRCUMSTANCES.

Seagate maintains that the district court's orders "negate[ ] the entire rationale of Knorr-Bremse." (Pet. 19; see also id., at 20). Seagate is wrong. Knorr-Bremse held that, when an accused infringer invokes the privilege or work product rule to withhold an opinion of counsel, it is inappropriate to impose an adverse inference with respect to willful infringement. Knorr-Bremse, 383 F.3d at 1344. However, "[a] defendant may of course choose to waive the privilege and produce the advice of counsel." Id., at 1345. Here, the district court did not impose any adverse inference on Seagate. Consequently, Knorr-Bremse is inapposite.

To the extent that Seagate reads Knorr-Bremse as removing the burden of waiver from an advice-of-counsel defense, it is wrong again. (Pet. 19). Knorr-Bremse is silent on this question, except to the extent that it rejects "a special rule affecting attorney-client relationships in patent cases." Knorr-Bremse, 383 F.3d at 1344. Litigants in non-patent cases routinely face a "Hobson's choice"

between using legal advice as a defense and foregoing the privilege. Courts outside the patent context do not create special rules to relieve parties of this so-called "dilemma" (Pet. 29):

> Petitioner alleges that a denial of the petition will present those in similar situations with a Hobson's choice between waiving work product protection through cooperation with investigatory authorities, or not cooperating with the authorities. Whether characterized as forcing a party in between a Scylla and Charybdis, a rock and a hard place, or some other tired but equally evocative metaphoric cliché, the "Hobson's choice" argument is unpersuasive given the facts of this case. An allegation that a party facing a federal investigation and the prospect of a civil fraud suit must make difficult choices is insufficient justification for carving a substantial exception to the waiver doctrine.

In re Steinhardt Partners, LP, 9 F.3d 230, 236 (2d Cir. 1993). A "special rule" carving out a substantial exception to the waiver doctrine should not be adopted in patent cases. As this Court stated in Knorr-Bremse, it is the totality of the circumstances that must be considered in determining whether or not the defendant had a reasonable basis to defend a charge of willful infringement. Knorr-Bremse, 383 F.3d at 1342. Here, Seagate has made a deliberate, strategic decision to rely on an advice-of-counsel defense. Seagate must live with the consequences of its choice, as EchoStar makes clear.

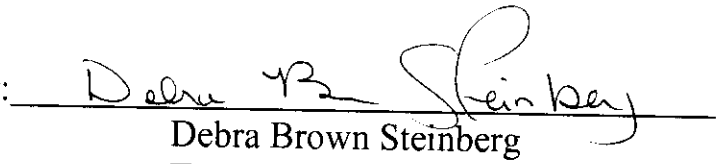
CONCLUSION

Respondents have endured three years of motion practice, and secured at least ten district court orders, requiring Seagate and Compaq to disclose the truth about their alleged reasonable reliance on advice of counsel in defense of willful infringement. The Court should deny Seagate's petition for a writ of mandamus seeking to vacate the district court orders, which represent a proper exercise of that court's discretion, are not ripe for appellate consideration, and do not present novel or important questions mandating mandamus review.

Dated: New York, New York
October 16, 2006

Respectfully submitted,

CADWALADER, WICKERSHAM & TAFT LLP

By: 

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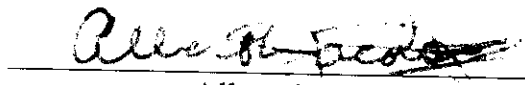
By: 

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EXHIBIT A

DOC #327

U.S. DISTRICT COURT FILED JAN 12 2005 S.D. OF N.Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiff,

- against -

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC.,

Defendants.

ORDER

00 Civ. 5141 (GBD)(JCF)

GEORGE B. DANIELS, District Judge:

Defendant Compaq Computer Corp.'s June 17, 2004 motion for an order pursuant to Fed. R. Civ. P. 72(a) sustaining its objections to, and overruling, the May 28, 2004 Memorandum and Order issued by Magistrate Judge Francis is DENIED.

Dated: New York, New York
January 7, 2005

SO ORDERED:

George B. Daniels

GEORGE B. DANIELS
United States District Judge

#269

MICROFILM
JAN 13 2005
-9:00 AM

EXHIBIT B

DC # 505

U.S. DISTRICT COURT FILED JUL 12 2006 S.D. OF N.Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,

Defendants.

----------x

ORDER

00 CV 5141 (GBD)

GEORGE B. DANIELS, District Judge:

Defendant Seagate Technology LLC's July 26, 2004 motion for an order pursuant to Fed. R. Civ. P. 72(a) sustaining its objections to, and overruling, the May 28, 2004 Memorandum and Order issued by Magistrate Judge Francis is DENIED.

Dated: New York, New York
July 11, 2006

SO ORDERED:

George B. Daniels

GEORGE B. DANIELS
United States District Judge

MICROFILM
JUL 12 2006 12:00 PM

EXHIBIT C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CONVOLVE INC, et al.,

Plaintiffs

-vs-

DOCKET NO.: CV-00-5141 (GBD)
New York, New York
January 20, 2004

COMPAQ COMPUTER CORP and
SEAGATE,

Defendants

----------x

TRANSCRIPT OF CIVIL CAUSE FOR HEARING

BEFORE THE HONORABLE JAMES C. FRANCIS IV
UNITED STATES MAGISTRATE JUDGE

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THE CLERK: Convolve versus Compaq Computers. Counsel, please state your name [sic] for the record.

MR. LANDA: Good morning. Adam Landa, and with me is Richard Kurtz and Kevin McNamee for the plaintiffs, Massachusetts Institute of Technology and Convolve.

THE COURT: Good morning.

MR. GOLDMAN: Good morning, Your Honor. Robert Goldman for Compaq, and with me, my partner Robert Morris.

THE COURT: Good morning.

MR. McMAHON: Good morning, Your Honor. Terry McMahon for Seagate.

THE COURT: Good morning. We're here, obviously, on Convolve's motion to compel discovery from Seagate with respect to the attorney client work product information relevant to the advice of counsel defense. I assume I will be hearing from Mr. Landa and Mr. McMahon. Is there anybody else who's going to want to weigh in on this?

MR. GOLDMAN: Your Honor, to the extent that the question is also before you as to what the special master meant by the word 'opinion' in his September 23 order with respect to Compaq, I expect to -- I expect to speak to that.

THE COURT: Okay. I'm sure that will come up, so I'm sure we'll hear from you. Mr. Landa, why don't we start with you?

MR. LANDA: Thank you, Your Honor.

(DEFECTIVE RECORDING: Here Mr. Landa moves entirely out of range of an operational recording microphone and is extremely difficult to hear. Some speech could not be transcribed.)

MR. LANDA: We represent the Massachusetts Institute of Technology and Convolve Inc, the plaintiffs in this matter, and they're the movants on two motions to compel that are before Your Honor today. Now, one motion with respect to Compaq has been fully briefed. An order has been issued by the special master in the case.

And what's before you today in connection with that motion are two things: one, Compaq's request for clarification, and the other is MIT and Convolve's objection to that order; that is, to the scope of it.

With respect to Seagate there is a similar motion, and that motion was made by the plaintiffs as well. That motion has been fully briefed but no order has yet been issued. So I'd like, if I could, Your Honor, to take them separately and discuss first the Compaq motion.

THE COURT: That's fine. Let me start by asking a preliminary question, which is is there anywhere in the record that I have before me copies of the opinion letters that are the source of all this controversy?

MR. LANDA: I believe they are. Maybe Mr. McMahon --

MR. McMAHON: Yes. Your Honor, if I may -- excuse me for speaking when I wasn't standing. I'm going to just -- I'll

tell you what. I'll find it while Adam is talking, if that's permissible to you.

THE COURT: That's fine.

MR. McMAHON: But I -- I think every one is -- there's a fair number of them attached, but I'll give you an exact reference.

MR. LANDA: I also think that the parties are all on the same page with respect to what these opinions cover, and that is I don't think there's any dispute that they relate to the infringement and validity and enforceability of the patents.

THE COURT: I think that's right. I think it helps me to have it to have a context.

MR. LANDA: Okay.

MR. McMAHON: If the Court please, do you want me to answer it? Adam, --

MR. LANDA: Please.

MR. McMAHON: -- I will -- on Seagate's surreply there are -- there are several exhibits, one through six, --

THE COURT: Right.

MR. McMAHON: -- and exhibit number four -- number five is a September 23, 2003 letter from Fitzpatrick Cella to counsel in the case, and that is Special Master Rizano's [phonetic] ruling. And -- and there was another one about Mr. Dowling.

THE COURT: No, I'm looking for the underlying --

MR. LANDA: Opinion.

THE COURT: -- opinion.

MR. KURTZ: Opinions of counsel.

MR. LANDA: The December --

MR. McMAHON: Oh, oh, oh, oh, I beg your pardon.

THE COURT: What it is that caused the waiver.

MR. McMAHON: Oh, I misunderstood. I don't think anyone submitted those.

THE COURT: That's what I thought.

MR. LANDA: I'm not sure --

MR. McMAHON: I have --

MR. LANDA: [indiscernible] Your Honor and we'd be happy to give them to you. That's fine.

MR. McMAHON: Yeah, as -- as would we. I beg your pardon. I just misunderstood the question.

THE COURT: Okay.

MR. LANDA: And -- and -- and if Your Honor would like [indiscernible] attachments, we ought to think about that. The -- the -- the first few letters are about three inches of paper with attachments.

THE COURT: Everything that the --

MR. LANDA: [indiscernible]

THE COURT: Everything that counsel relied on?

MR. LANDA: Not everything, just -- just the things

that are actually, I believe, cited in the paper.

THE COURT: Okay.

MR. LANDA: But I think -- I think there are a good three inches of paper for each of the first two, and the third one might be a little thinner than that.

THE COURT: Okay.

MR. LANDA: We can get those to you, Your Honor, and we'd be happy to. I'm going to turn first to -- to the issue with Compaq if I may, and the issue in dispute -- the two issues in dispute, it seems to me, are Compaq's -- well, let me say the meaning of the word 'opinion' as that word was used in the order of September 23rd.

And the plaintiffs have contended that the word 'opinion' has essentially its ordinary meaning, which is a belief or conclusion based upon a review [indiscernible] consideration of facts.

Now, I don't know that Compaq argues that that isn't what the word 'opinion' means. What I've seen from Compaq was two arguments, and one is that the special master meant something else by the word 'opinion' or further limited it in an oral hearing that -- that there's no record of, and there's some dispute as to what was said there; or that it should be limited to something else.

And I'll preface my argument by saying that I the in the context of a motion for clarification, we have to look to

what the order meant, not what the order should have meant. But in light of Compaq's argument relating to the scope of the word 'opinion' -- and it's very pivotal, because the way Compaq reads the word 'opinion', they don't have to produce anything.

I want to read one thing from the special master's order, and that's at the bottom of page twelve and going on to page thirteen, and it says:

> Because the issue of willful infringement ultimately involves the status of an accused infringer's state of mind at the time it elected to proceed based on the opinion of counsel, communication of all other attorneys with the client on the same subject matter are discoverable, even if those attorneys were independent trial counsel.

And he says that in a section where he's discussing the -- the -- the law of this district.

Now, I'll come back to that issue a little bit -- in more detail in a moment, but the other main issue that I want to cover today is the scope of the subject matter that's covered by the -- the waiver created by the defendant's reliance on the advice of counsel [indiscernible] defense and that relates to Convolve and MIT's objections to the scope of the order. We don't think that the order reached everything we're entitled to.

I'd like to turn for a moment to a brief discussion

of the law surrounding waiver of privilege, and before I get to that, I just want to take a moment to review a few of the facts that are relevant to the -- what led to the issue [indiscernible] with Compaq.

Now, Compaq knew about the six thirty five patent -- that was the first of two of them -- as early as November of 1998. A dispute emerged and the present complaint was filed on July 13th, 2000. Compaq's then-in-house counsel was Lou Buccalari [phonetic]. He turned over the reins to this very litigation to who is now in charge of it, Tarani Magami [phonetic], who's now in-house counsel at Compaq, in October of 2000.

And almost a year later, in November of 2001, Compaq then learned about the second patent [indiscernible] a third patent in the case, the four seventy three. And just as an aside, one of the patents has now been dropped out of the case, which is why [indiscernible] just -- the only two that are in issue right now are the six thirty five and the four seventy three patents.

So Compaq learns in November 2001 of Convolve's charge of infringement on that patent, and around December or January, right after they learned of that, Compaq, acting through its counsel, Tarani Magami, hires Mr. Michael Dowler of Howrey Simon to prepare an opinion regarding the patents at issue.

In January of 2002, the amended complaint gets filed adding the four seventy three patent. In August of two thousand and -- 2002, Compaq instructs Mr. Dowler to cease work after about a hundred hours that he's put in. Apparently some time around October of 2002 Compaq [indiscernible] related to the four seventy three patent. Now, we don't have the documents on that, but we've heard about this in a couple of their papers.

In November 2002, a little bit -- right around two and a half years into the litigation, Ms. Magami gets a December 29th, 2000 opinion of counsel that had been rendered to Seagate by Mr. Gerald [indiscernible] and he is the author, incidentally, on both of the opinions of counsel that are -- that are at issue here today.

Compaq allegedly relies on Mr. Sikamora's opinion. In February of 2003 -- and that's a little more than fifteen months after learning of the allegations of infringement on the four seventy three patent, Compaq gets a copy of the -- an opinion letter that was given to Seagate by Mr. Sikamora relating to the four seventy three patent, and then in March 2003 Compaq's in-house counsel, Ms. Magami, takes her December 29th opinion -- December 29th, 2000 opinion, and gives it to one of her technical people to review.

One thing I want to point out -- at all relevant times, Ms. Magami was in charge of this litigation. In other

words, she was managing this litigation for Compaq. And she was the person at Compaq who relied on the opinions of counsel. So what Ms. Magami knew about infringement, validity, and enforceability of the patents at the time of her reliance is directly relevant to the good faith of that reliance.

In addition to relying on Seagate's opinions of counsel, Ms. Magami also testified that she is relying on the work of Fish & Neave, trial counsel, to -- as -- as -- as -- as part of what she relied on to -- to defend the [indiscernible] of willful infringement, and that was Ms. Magami's testimony, and I think that renders, in essence, all of this spurious.

But I'm going to try to direct my attention now to the law. And that is the law surrounding waivers, and there are two specific waivers at issue. There's the attorney client privilege and the work product immunity. And the waiver at issue results from Compaq's voluntary injection of the advice of counsel as part of its defense.

Now, it's well settled that a potential infringer having actual notice of another's patent has an affirmative duty of due care. That normally requires -- not always, but normally requires the infringer -- infringer to obtain legal advice before continuing to infringe or before infringing.

In other words, once you're notified of a patent -- once Compaq was notified of a patent, it had an affirmative duty to do something. And certainly, that's something

[indiscernible] whether or not it's infringement.

Now, as we understand it, Compaq is going to -- intends to rely on two Seagate documents that they got which I discussed, and plaintiffs do intend to challenge the merits of the defense that relates to whether or not they can rely on a document they got such a period of time later. Today I'm only going to focus on the effect of the waiver created by -- by producing [indiscernible].

Now, while there's some [indiscernible] authority and I think if you -- you know, the briefing is it's pretty clear that there is [indiscernible] among the several circuits, with respect to the scope of waiver the Southern District is uniform. Reliance on advice of counsel as part of the defense effects a broad subject matter waiver of attorney client privilege and the work product immunity.

The relevant cases we find from the Southern District are five. I think it's five. It might be six -- [indiscernible] Matshusita [sic], In re: Buspirone, Variable Life v. Morpheus, which I think didn't get cited in any of the briefs so I'll just put the citation in -- at 1994 U.S. District Lexis 3715 -- [indiscernible] and Bristol Myers Squibb.

And in essence [indiscernible] case adopted two other cases [indiscernible] law of the Southern District and those would be Phonar [phonetic] and Dunval [phonetic], and Dunval

seemed to rely very heavily on Electro Scientific, and in essence all of them followed the broader view that was first espoused in Mushroom as opposed to Thorn, so I find ten cases that are -- that are the law in the Southern District.

And with those ten cases I'd like to explain how we understand the broader view; that is, a party may rely on the advice of counsel as part of the defense [indiscernible] willful infringement. And by relying on the advice of counsel, defense -- the defendants inject counsel's advice and place it directly at issue in the litigation.

When they inject the advice of counsel into a case that waives the attorney client privilege as to communications and documents on the subject matter of that advice, and the underlying principle is fairness, first stated in [indiscernible] certainly cited in [indiscernible] U.S. v. Bilzarion [phonetic].

A party should not be allowed to rely on a self-serving document [indiscernible] defense while [indiscernible] potentially damaging information under the guise of the attorney client privilege. And the courts have recognized that the party claiming the advice of counsel has a tough choice: claim the defense or claim the privilege.

But -- and I'm quoting directly from Mushrooms -- tough choices -- tough choices are usually only disfavored when the choice is between constitutional rights. Because no

constitutional rights are at stake, the defendants must live with their decision claiming the advice of counsel as a defense. In this case, Compaq claimed the advice of counsel and therefore the -- it effected a broad subject matter waiver.

I'm going to turn my focus for a moment to work product immunity where I think that the -- the Southern District is pretty clear.

THE COURT: Before we do that, with respect to the broader narrow scope of -- of the work -- of the attorney client waiver, how do you see that playing out with respect to the debate between either Compaq or Seagate and the plaintiffs?

MR. LANDA: Well, I think in the special master's order what he did -- and -- and we understand that -- is that he ordered that all opinions be produced, and -- and we read that in the context of his order as meaning the communications between an attorney and a client that related to the subject matter of the waiver, relating to infringement, relating to validity.

Now, work product is a -- is a -- is a big component of this, because I imagine that a lot of what's going to come up is oral advice, oral discussions that were had. And to the extent things were oral the work product or notes that were taken of what was discussed may be the best evidence of what was actually discussed.

But at least in terms of -- of -- of what we're

entitled to, what -- what the special master had done is he broke the world in half and said there's pre-reliance and there's post-reliance, and we understand why he did that, and we don't think it's a terrible procedure, although it may be somewhat cumbersome [indiscernible].

What he said is before you rely, the -- the -- the -- the plaintiffs are entitled to the privileged communications, the otherwise privileged communications, on this topic so that they can evaluate the state of mind of the person who now claims reliance on a letter. In Compaq's case, I think they spent three to four hours reviewing it, and in Seagate's case I think it was one to two hours reviewing the letter.

There's a lot more information there, and I'm going to, you know, address that specifically with respect to each of them, but -- but in each case the plaintiffs have to be able -- let -- let's start here. These opinion letters are substantively favorable to the defendants' position.

THE COURT: No surprise.

MR. LANDA: No great surprise. If -- had they not been, maybe they wouldn't have been produced. But they are. So we need to attack -- one of our primary areas of attack would be the reasonableness of the defendants in relying on the letter, because you don't get exculpation from having an opinion letter. You -- you defend against willful infringement by looking and earnestly seeking advice of counsel, getting

advice, and then following that advice.

That's how you get exculpated from willful infringement. You have a duty to make sure you're not infgnt. You don't have a duty to get a letter. And -- and -- and that's really, I -- I feel, where the disconnect has been in -- in -- between the plaintiffs and defendants here.

And -- and we started all this briefing earlier by deciding whether or not the plaintiffs were entitled to anything [indiscernible] started with -- with one -- among others, Mr. Dowler; that is, Compaq went out to seek the opinion of -- of another counsel [indiscernible] they said well, but that's not [indiscernible] we're relying on, therefore you're not entitled to it.

That's a little different than my asking for trial counsel's work, and I understand that, but to the extent that these parties have chosen -- and I didn't -- I didn't put them in this position.

I didn't tell them how to do this [indiscernible] extent that the reliance was done by a company who -- who has information in their possession and in the same people's possession, I think, in all these cases, and they choose to rely on a letter rather than to rely on all of the advice they're given, I think we can attack and we should be entitled, in fairness, to attack the reasonable [sic] of that reliance by understanding what else they knew at the time.

So with respect to the attorney client privilege, I think we have to get pre-reliance all the communications. Now, what the -- what the -- the -- the opinion -- the order -- [indiscernible] order says -- it says okay, post-reliance, those things have to get turned over to the court, and the court will look through them to find things that contradict or cast doubt.

Now, I don't know what the volume of materials is that's going to need to get turned over or how the court could potentially conduct an in camera deposition to find out what was said, but -- but it's the very same idea; that is, if something -- the -- look. We're not looking through the defendants' things for things that say I read Mr. Sikamora's opinion and I agree with it. We're looking for things that say something else.

But what constitutes -- what constitutes negative information I think would be the subject matter of substantial debate. And one court said -- and I think it was the Electro Scientific court said -- that -- that the defendant can't be placed in the position of being the gatekeeper and them deciding whether or not something is negative.

And so that -- that -- that's the reason the plaintiffs have to have access to this information. Does that satisfy your -- your question on the attorney client privilege?

THE COURT: It -- it does. It raises a second

question, and maybe I'll hold that one, because I suspect you're going to address it. Go ahead.

MR. LANDA: Okay. Well, I'm going to turn for a moment to work product [indiscernible] back to the specific facts here. On work product immunity and what we -- what I'm referring to when I say work product immunity -- I'm talking about what's codified in Rule 26(b)(3).

Under Rule 26(b)(3) the plaintiffs would need to show a substantial need and -- and ability -- an inability to obtain the materials elsewhere without undue hardship. But the Southern District of New York holds differently. It says work product immunity is waived. In other words, reliance on the advice of counsel defense makes the opinions or mental impressions of the attorneys themselves directly in issue.

And uniformly courts in the Southern District have rejected what's now Compaq's argument that the work product is not good evidence of a state of mind. The reasons have been stated in a number of different ways. Dunval says negative evidence in an attorney's file raises reasonable circumstantial inference that the client [indiscernible].

Electro Scientific says evidence of what was in the lawyer's mind can be relevant to what was in the client's mind. In re: Buspirone says if documents existed, for example, showing that outside counsel believed at one point that infringement claims were weak or frivolous, the plaintiff would

have a strong basis for probing Bristol Myers's witnesses' own knowledge of those views of outside counsel regardless of whether a formal document exists communicating such views.

THE COURT: Now we're talking about what I guess the papers referred to as the uncommunicated work product, right?

MR. LANDA: I think by definition almost work product is that which is uncommunicated. I suppose one could communicate work product, but that raises a question of -- of privilege, and that privilege has been waived.

THE COURT: That's true, except that it could also be indirectly communicated; that is, it is communicated to the counsel who offers the opinion --

MR. LANDA: Right.

THE COURT: -- as opposed to -- to the client, so it would not be work -- it would not be attorney client, but it would be a communicated work product.

MR. LANDA: Right. That -- that -- that's correct, and -- and -- and this is [indiscernible] focus primarily on -- on work product generally, but it would go for both communicated and uncommunicated work product.

THE COURT: All right.

MR. LANDA: I -- I don't know that I see the difference.

THE COURT: Well, do -- is there a dispute with respect to communicated work product?

MR. LANDA: I think there is. I think -- I think the -- and this goes to our objection to the special master's order. He said all opinions -- and it's not clear to me that -- that -- and there are a lot of semantics going on here. It's not clear to me that -- that an analysis, for example, would be an opinion in the defendants' view.

In fact, we had a recent deposition which I'll discuss shortly where -- where a witness testified -- and this is Mr. Heller -- you've seen the name, I believe -- testifies that he did an analysis, and he communicated that analysis internally to Seagate, and he's an attorney, by the way, at Seagate -- but -- but that they're taking the privilege on it because that's not an opinion; at least, that's how we understand what happened.

So there -- there may be some semantics that are going to happen around this word 'opinion' and that's why I focused on -- on work product right now. We think that work product is -- is things that are -- that are -- that are -- that [indiscernible] as they recorded.

My notes that I make during a phone call, my notes that I make as I review a patent, are the kinds of things that reflect my -- my -- my mental impressions, my understanding at the time, my analysis of the patent claims, and -- and that's really the best evidence of what I would have communicated to my client.

And so you -- I -- I suspect since -- since the phone calls probably were not tape recorded [indiscernible] find out, and since the communications were not exclusively in writing -- there's a lot of oral communication -- and without this type of work product, the plaintiffs can't adequately explore what Seagate knew, what Compaq knew, because I -- I think it's fair to say that -- that the memory of the specific phone calls will -- will have faded from people's minds [indiscernible].

THE COURT: Even if that phone call involved an alert that the formal opinion of counsel might not be as -- as solid as had been believed?

MR. LANDA: Well, you know, I -- I -- I have taken a lot of depositions in my time, and I have found that -- that a lot of witnesses are capable of saying they don't remember things that -- that I find difficult to believe. Now, it's -- it -- it would be difficult in trying to -- with, for example, notes that they made saying what happened on the phone call, for them to say I just don't remember anything. Maybe if they read those notes maybe it would refresh their recollection.

THE COURT: Well, now we're talking about notes of counsel's.

MR. LANDA: Either counsel or notes that -- that were made at Seagate. Well, --

THE COURT: Presumably the notes made at Seagate have been disclosed.

MR. LANDA: I -- I do not think that is correct. I think that there's a lot of documents that -- if there are any -- I -- I know that during depositions we didn't get answers about what Seagate's -- and -- and -- and I think we're -- we're directing this to Compaq first, but we didn't get answers, I think, to -- to what Seagate communicated -- Seagate's outside counsel communicated to Seagate.

We haven't had those answers yet. There's no ruling on this opinions thing with respect to Seagate yet.

With Compaq, we -- we've actually had one deposition which was focused only on one patent and there was some issue about whether or not we were allowed to focus on the second patent in the case. We have been authorized to do that. We have agreed to wait on that deposition until after Your Honor's ruling in this matter, so we can take one more deposition of in-house counsel rather than two more, if -- if -- if that's made necessary.

But -- but there -- there's a lot of information that -- and I'll get to some of this more specifically. There's a lot of information that's inside the company that has been withheld as privileged, attorney client privileged or work product, because -- I guess because its origins were trial counsel's, and that's a lot of what we're after, and if we can't get it from the company because it came from trial counsel, then there's really no difference whether we get it

from one side or the other. But we need this information.

The -- the last case that I wanted to point out on -- on -- on this evidence is Matsushita, also in the Southern District, which says that even though certain materials and information may -- information may not have been communicated to the client, they are still discoverable because, among other reasons, they may be -- and [indiscernible] -- quite useful in seeking [indiscernible] precise substance and scope of the attorney's advice. And they were talking in that case about oral advice. And that's precisely what's at issue here.

THE COURT: Well, let's talk about that a minute. How much do we credit the -- sort of the empirical underpinnings of Matsushita? We've got a situation, say, where we have advice from trial counsel coming from eight attorneys. You know, you've got -- you've got the senior partners, the junior partners, the -- the senior associates, the junior associates.

And everything that's communicated to the client, whether it's Compaq or Seagate, is consistent with the -- the formal advice of counsel opinion on which they're relying. The junior associate scribbles some notes questioning the formal advice of counsel, right? Now, under your theory, that's discoverable because that's -- and it's never -- never, ever conveyed to the client.

Under your theory, that is somehow discoverable

because you could draw the inference from that that somehow the reliance by Seagate or Convolve on that -- on the formal opinion of counsel was somehow contradicted and was not reasonable. Where is the logic in that?

MR. LANDA: Well, now -- now, let's focus in on that. And that's a very good point. I think the answer is yes, that is discoverable, because it is reasonably calculated to lead to the discovery of more evidence [indiscernible] that's the way, I think, a lot of the courts have -- have held.

There's a big difference between what I can get admitted at trial -- and the courts have gone over this -- and what I'm allowed to discover so I can find out what really happened. But if we create some artificial wall that says you can't discover this associate's [indiscernible] and I can't know that it exists, and I can't know what was there, then I can't adequately probe to find out if it was really communicated [indiscernible]

THE COURT: But that's going to be true of work product in every situation, right? I mean, it's -- it's not just where there's been a waiver. You -- you'd love to have work product because it would lead to all kinds of things.

MR. LANDA: Absolutely, and there's no question that -- that -- there's absolutely no question that there's tremendous value in an opponent getting your work product, and -- and I can't ignore that here today, but what I can say is

that I -- I'm focused on my inquiry, and my inquiry relates to a defense that has been raised.

And the defense is we are, in essence, innocent; we -- we did what our lawyers told us to do; we went out and [indiscernible] got an opinion, we read that opinion, and we based [indiscernible] of our company and our heightened duty to make sure that we weren't trespassing, to make sure we weren't infringing the rights [indiscernible] and we went out and -- and when we -- when we did that, we got this advice, and we read that opinion letter, and wow, we knew that we were on the side of right, we believed firmly that we could do what we were doing.

That's the defense. How do I attack that defense? Well, not -- one way I attack it is I say well, Mr. Sikamora was unqualified. One way I attack it is say on its face that opinion doesn't cover the right products, or that opinion on its face says you infringe -- which it doesn't. How else do I attack it if the opinion on its face is substantively favorable?

They're going to wave that in front of a jury and it's going to have two effects when they wave it in front of a jury. The first [indiscernible] is the jury's going to look at that opinion and say wow, that lawyer thought that there was no infringement [indiscernible] huh, I wonder if the plaintiff has duped us.

And the second effect that's going to have on a jury -- because the jury can't properly consider that evidence until after they've decided that -- that the -- that the -- tha the opinion is wrong in substance, right? I mean, they have to find infringement before they're addressing willfulness. So -- so this is going to have a tremendous effect on the jury, this -- this -- this opinion letter.

And how can I challenge that opinion? I can say they didn't get it in time. I can say that it's not an adequate opinion. But the real way that I think I'm going to be able to make my case against that opinion is that that opinion was paid for. It was bought and paid for, that they paid someone to write that opinion to eliminate risk. That's all.

They didn't go and obtain the good faith competent advice of counsel and reasonably relied on it. That's why I need this stuff. And it's completely unfair to allow the defendants to put in such a powerful document, a lawyer's considered opinion that the -- that -- that the plaintiffs' case is wrong without letting us say well, maybe some lawyers thought differently, for example.

Now, that may or may not be admissible. Maybe some lawyers told Compaq differently or Seagate differently. Maybe they did. And if they did and I can put that in front of a jury, I think they're going to look at that opinion and go *pfff*, that's not much. Without that -- without being able to -

- I'm sorry.

THE COURT: Aren't those two significantly different things; that is, maybe some other lawyers thought differently and maybe some other lawyers told Compaq or Seagate differently?

MR. LANDA: Those are two very different things. And what I'm focused on is -- is really the latter, is whether Compaq actually had that information. But I [indiscernible] I don't think that I am going to get the kind of recollection from Seagate's and Compaq's witnesses that -- that, unprompted, with -- with -- with -- with some way to say well, you had a phone call this day with the lawyer, it was right after something happened, some ruling, some something, does that help refresh your recollection.

Without that kind of context -- and this is what -- what the special master discussed some of in his rulings, for example, [indiscernible]. Without having some memory aid, I may have no way to bring them to the right date or to get them to the right place to remember what really happened or what -- what I -- I think really happened. I would have no -- no way to -- to -- to bring them there.

And I don't have thousands of hours to take these depositions and try to walk them through transcripts of what everyone else said. And so what I really need to -- what I really need to be able to do is to show that the reliance

wasn't reasonable, and how do you do that? You've got to show the defendants' state of mind couldn't have reasonably relied. How do you get there?

Only way that I can see to get there is to -- is -- is to get the communications that took place, and to the extent they're oral and people don't remember them, to get some indicia of what those communications would have been. The -- the rationale just wasn't what's in the -- what's in the attorney's mind may have been in the client's mind.

The rationale is you paid your lawyer to go out and write a memo, you -- you paid the bill, and they wrote a memo, and the memo says something. Well, are the lawyers hiding that from the client? Probably not. They're probably communicating to the client. That is, what's in the lawyer's mind -- and this is what the cases say -- is great evidence of what's in the client's mind.

It's terrific circumstantial evidence. What the lawyers thought about infringement is terrific circumstantial evidence of what the clients thought about infringement. Excuse me. [Pause] And so we're faced with -- with a battle that -- that's a very difficult -- I understand a very difficult one, but I thought that the -- the special master, at least, in terms of what his ruling did say, is it said all right, turn over all the communications, all the opinions [indiscernible] and then also turn over any of the work product

that led to those opinions. We don't think that's broad enough because there's a lot of things it misses.

The -- the -- let me make sure I've satisfied Your Honor's question.

THE COURT: Yes.

MR. LANDA: Okay. So -- so just to bring home what -- what the Southern District -- what our understanding of the Southern District law is on the work product immunity -- is that once you've created the waiver, that's it. You have waived work product protections; that is, the 26(b)(3) protections are what's waive.

And Phonar at eight eighty eighty, Dunval at twelve oh five, Electro Scientific at five [indiscernible] six, and Mushroom [indiscernible] Lexis pagination star fourteen all say exactly that. They say we look and see that there's probably a substantial need, we don't have to go there because this is what's been waived, the work product itself is now at issue.

So now I mentioned a little earlier that -- that there are two issues with Compaq today, and the first is the meaning of the term 'opinion'. Well, we believe that a fair reading of the order means the communications that were given to Compaq by anyone, any counsel, any advice that was given, relating to infringement, validity, or enforceability of the patents in suit.

And as I mentioned, the ruling itself supports that

because it specifically says that even trial counsel's advice -- it says communications of -- of all other attorneys with the client on the same subject or discussion are discoverable even if those attorneys were independent trial counsel. The court could not have intended to carve out everything but -- everything but formal opinions. It would have made no sense.

With respect to the -- the plaintiffs' objection to the order that it's too narrow, in addition to being entitled to the opinions themselves, Compaq -- excuse me, the opinions communicated to Compaq, the plaintiffs should also be entitled to opinions transmitted within Compaq [indiscernible] minutes and reports to the board, for example.

And to the extent that opinions were transmitted to Compaq orally, the plaintiffs should be entitled to obtain whatever evidence is available to show what those communications were so that the plaintiffs can adequately determine the state of mind of Compaq at the time it alleges its reliance.

Now, you also might consider -- and -- and what the plaintiffs did is we made a list of hypothetical documents that might exist in -- in our papers, but I'll just point out a few of them. There -- there could be an internal memorandum by Compaq's management stating we have just received Seagate's opinion and it concludes there is no infringement; however, our trial counsel tells us that we're likely to lose on that issue.

That, right now, would fall outside of Compaq's reading of the special master's order and within our reading of it.

Another one -- an e-mail from Compaq's trial counsel to Compaq stating we believe that if you remove -- this is going to get a little technical for two words -- the A.A.M. switch from the F ten bios -- which incidentally was done -- then the systems won't infringe the patent. That e-mail might exist. If it does, we believe we're entitled to it.

Another hypothetical document -- minutes of a meeting between Compaq's in-house counsel and Compaq executives -- excuse me, Compaq's executives, stating our trial counsel said that our exposure is high for patent infringement in the Convolve case. If that document exists, we should be entitled to it so that we can explore Compaq's state of mind.

We seek an order broad enough to cover those hypothetical documents. And Compaq, so far as I can tell, has offered no substantive argument as to why we should not be entitled to those documents. Compaq indeed made a touch choice. They relied on the advice of counsel. Once that choice is made, the attorney client privilege and work product protections are waived.

We don't want their trial strategy. If there's a way to redact it, let's find a way to do that. We want their real view of infringement, validity, and enforceability of the patent that Compaq [indiscernible] when it allegedly relied on

the six thirty five opinion letter two and a half years after notice of infringement and when it relied on the four seventy three opinion letter fifteen months after they received notice of infringement.

In fairness, we should be able to get that. That may be the only way for the plaintiffs to attack the reasonableness of the defendant's reliance on the opinions of counsel.

And Your Honor, I'd like to propose that we deal with this so that -- and it's up to Your Honor, but -- but that Compaq would respond and we might have our reply, and then move on to Seagate separately, but if you'd like me to go straight through I'll do that as well.

THE COURT: I guess I have a bridge question, which is how do you view the relationship between the Compaq and Seagate issues given the fact that there is this extant order by the special master with respect to Compaq, no order with respect to Seagate? Are there concerns about law of the case? What standard am I applying with respect to the special master's order that wouldn't apply to Seagate?

In all -- in the best of all possible worlds, do you expect parallel rulings, or would Convolve be happier depending upon the outcome of one to have potentially inconsistent rulings?

MR. LANDA: Well, I think -- I think the rulings need to be consistent on the law. I mean, I'm not sure that the law

is different in the Southern District than in -- in -- in one case than it is in another.

THE COURT: No, indeed, but -- I'm not familiar enough with the law of the case doctrine, but I suppose that I could find that the special master's rulings were close enough that I -- that I couldn't overturn them, but that I wouldn't necessarily reach the same result on my own, such that the Seagate ruling would be different from the Compaq ruling.

MR. LANDA: Well, let me address that in this way. The Compaq ruling is in front of you on two letters, two -- two motions, I'll call them, Compaq's, I guess, responsive motion for clarification -- that is, what -- what do -- what does the Court mean by the term 'opinion' in this ruling, and in the plaintiff's objection that it's not broad enough to cover the categories of documents that we believe we're entitled to.

So to that extent, there is no objection to that order in the sense that Compaq can't, as far as I know, stand here and argue today that the order is wrong and it can't stand -- I think -- I think that's -- they have not made that objection. I think they haven't briefed that objection. I think what they said is two things.

One, they said the special master limited it himself, and then they said that the special master should have limited it to something.

THE COURT: Well, then you're certainly suggesting

that there may be inconsistencies between the two orders, because the Compaq order might stand simply because Compaq didn't object to it, but I might reach a different result with respect to Seagate.

MR. LANDA: That is indeed correct, and I -- and so -- I also understand the Compaq order to be the law of the case, and I cannot profess to have thought through or fully researched exactly how that would affect the Seagate ruling. I would suspect that -- that like all other Southern District precedent that -- that while it may be specific to the facts that -- that that is indeed the law within this case at this time, and it's the law within this district.

You might reach a different ruling with respect to Seagate. I'm not sure how to address that except to say that Seagate certainly has no order with respect to itself, and that -- that we would expect the Court to make an order consistent with what it understands to be the law.

THE COURT: All right. Mr. Goldsmith [sic], do you want to address the Compaq issues?

MR. GOLDMAN: Goldman, Your Honor.

THE COURT: Sorry.

MR. GOLDMAN: Yes, I would. That's all right. I'll do it from over here. It'll make it easier for Mr. Morris to grab my arm and tell me I've got the facts wrong.

I'd like to start by taking a step back and talking a

little bit about the -- the lawsuit, what the lawsuit is about. The -- the lawsuit alleges patent infringement by Compaq and Seagate of one patent assigned to MIT and two patents owned by Convolve. I understand they're in the process of dropping one out of the case, but it hasn't happened yet, so for now there are -- there are still three patents in the lawsuit.

The first two patents, the six three five and the two four seven patents, relate generally to --

(Off the record discussion)

MR. GOLDMAN: -- two six seven, I'm sorry -- relate generally to noise reduction in mechanical devices, how do you make them run quieter. And the third patent, the one that issued later, the four seven three patent, relates to a specific application of this noise reduction technology to hard drives in personal computers.

Compaq assembles and sells computers, and some of Compaq's computers include drives that are made by Seagate, sold to Compaq, and we put them in the -- we put them in the computers, and we sell them. There are also trade secret misappropriation claims and other related common law claims, but they're not pertinent to this motion. All right?

So what we're talking about here is the opinion of -- the opinion of counsel defense in a patent infringement case, and the first thing you need to understand is that it's not a defense to a charge of infringement.

Patent infringement is a strict liability tort, all right? And so the issue is if the jury finds liability, then what the question is on -- in other words, the fact that there's an opinion has no effect on whether or not there was or was not infringement, and so the only issue, then, is whether or not the infringement, if found, is found to be willful. And Convolve alleges that Compaq's infringement of at least two of the patents is willful. There's a dispute as to whether there's a willfulness contention as to the third patent. We'll put that aside for now.

And the question, the substantive question, of whether an accused infringer's conduct has been willful is based on a totality of the circumstances test. And one fact that may weigh in the totality of circumstances is whether the accused infringer has obtained and relied on a reasonable opinion from competent counsel. And that raises a bunch of subsidiary issues, right?

One set of issues relates to whether the opinion was reasonable and whether the opinion counsel was competent, that wasn't a brother-in-law job. All right? The second set of issues relates to the extent to which the accused infringer, the client, in fact did rely on the opinion of counsel in deciding what it was going to do.

Until now, the current state of the substantive law is that absent such an opinion, the fact finder could draw a

negative inference -- right? The fact finder could draw a negative inference that a lawyer's advice would have been unfavorable to the party who came in without an opinion, and the federal circuit, which will hear the appeal in this case, is now in the process of reconsidering that question -- that is, whether the negative inference is proper or not -- en banc; that is, whether you -- whether or not you really need an opinion to avoid that negative inference. That's now -- that's now before the court.

The federal circuit has made plain that the papers filed and the positions taken by outside counsel, trial counsel, cannot be relied on -- cannot be relied on -- as a defense to a charge of willful infringement. And the case for that, and we've cited it in our letter -- in our letters to the master, which you have, is Crystal Semiconductor against Tritech Micro Electronics, 256 F. 3d 1336 at 1352, Federal Circuit (2001).

So at least in the view of the federal circuit, trial counsel are different with respect to the willfulness defense from what we've called here opinion counsel; that is, counsel who render a written opinion at some point during the controversy.

THE COURT: Different only insofar as you would rely affirmatively on them.

MR. GOLDMAN: That's correct. Compaq could not rely

affirmatively -- none of the -- no defendant can -- can rely affirmatively on the -- on the fact that it put in a defense, defended the lawsuit as a defense to a charge of willful infringement. All right?

There either is an opinion or there isn't. If there isn't an opinion, aside from the work of trial counsel, then one either gets the inference or you don't get the inference, and the issue is decided. But you can't decide on the -- you can't rely on the basis -- a defendant cannot rely on the basis that -- that we defended the case.

Now, none of the parties dispute that a decision to rely on the opinion of opinion counsel creates a waiver of some scope relating to both what the opinion counsel did and what the client did, and so with that in mind, Convolve has already deposed the two in-house attorneys, Mr. Bruckialari [phonetic] and Ms. Magami, and the outside opinion counsel who prepared the -- the opinions at issue, Seagate counsel, Mr. Sikamora.

And presumably, although I -- I really haven't been following the dispute between Seagate and -- and Convolve carefully -- presumably there's been a full production in that case of the opinion and the work product that went into the opinion, everything Mr. Sikamora did to prepare that opinion, all right? So there's been a waiver of the -- of the -- of the privilege and the work product. The documents have been produced. Mr. Sikamora has been deposed.

In addition, there is no dispute that for some number of months Compaq considered getting an opinion from its own outside opinion counsel, Mr. Dowler. And although that project wasn't completed, the issue was decided by the special master that discovery should go forward with respect to what Mr. Dowler did and there was a full production of his files, including the work product, all the documents that he created, the draft of the opinion that he had been working on, and his deposition was taken. All right?

So where Compaq objected to further production and what we're discussing today is whether the waiver of privilege by Compaq relating to the work of outside opinion counsel should also extend to the work of outside trial counsel. So in terms of the substantive discovery on the opinions -- right? This is a very small tail on a somewhat unattractive dog, but it's -- it's done.

In other words, the substantive discovery on the opinions and the work that related to them was done, and the depositions of the in-house Compaq attorneys with respect to what they did with those opinions either is done or is, as Mr. Landa said, going to be done, and there's really not a dispute as to the discoverability of the communications between Compaq and the outside opinion counsel, okay, either -- whether it was Seagate's outside opinion counsel or Mr. Dowler.

Now, in terms of the potential effect on the

litigation process, the dispute, of course -- although it has nothing to -- very little to do with the substance of the case -- has a potentially large impact, because it affects the ability of Compaq's trial counsel to communicate with and advise -- and advise our client as we continue forward in the lawsuit.

And so the question is to the extent that Compaq chooses to defend the willfulness charge by relying on the opinion of an outside opinion counsel from Law Firm B -- right? -- what waiver, if any, is created with respect to attorney client communications and work product of outside trial counsel at Law Firm A.

Now, the special master's September 23rd order noted that, in his view, this was a case of first impression, and he made two rulings. Whereas here, outside opinion counsel renders an opinion after suit commences, the waiver extends to opinions on the same subject matter, usually invalidity or -- or non-infringement, by trial counsel rendered at or about the same time. That's at page twelve of the opinion.

And Compaq was ordered to produce all opinions communicated to it by any counsel, including trial counsel, up to the date upon which Compaq decided to rely on the Seagate opinions, and that was November -- I think it was November 11th of 2002. That was the date that's recited in the -- in the order.

After the date of that waiver, the special master ordered that any contradictory opinions by other counsel and any -- be discoverable, and to enforce that ordered that any communications relating to such opinions should be produced, and the master decided that he would perform the so-called gate keeping function by reviewing any such communication and deciding whether they were contradictory or not. That's the opinion at page fourteen.

Seagate, in its motion papers, argues that the special master's decision that the waiver extends to trial counsel is incorrect, and Compaq agrees with Seagate. And if, in the course of deciding Seagate's motion or the motion with respect to Seagate, the Court agrees that is the -- that the scope of the waiver doesn't extend to trial counsel, then there's nothing to decide with respect to Compaq. The ruling would apply to both of us.

But as Compaq sees the --

THE COURT: I'm sorry, because --?

MR. GOLDMAN: Because the scope of the waiver ought to be the same as to both parties. There's no reason for it not to be. In other words, we're both -- we stand -- we stand in the same -- we stand in the same place on that -- on that piece of it. In other words, there's -- the law is what -- the law is what the law is, and --

THE COURT: Well, --

MR. GOLDMAN: -- it's not different with respect to one party or the other. The application on the facts may be different, but I believe --

THE COURT: But the law may be different if you failed to appeal the special master's ruling, wouldn't it?

MR. GOLDMAN: Well, we haven't -- we haven't -- in other words, the -- the -- the process fell off the tracks when the special master recused himself, and since there hasn't been a -- a final decision as to what the scope of that ruling is, I believe we'd be entitled to appeal the ruling.

In other words, the last piece of the puzzle is what 'opinion' means, at least with respect to the -- the September 23rd ruling. And once that piece of the puzzle is in place, I then either have an order that I can -- that I want to appeal or I need to appeal, or I don't.

Up until the time that -- up until the time that -- that -- that you resolve that question, I don't know what I've been ordered to do. That's the point of the motion for clarification. Once that's decided, I then have to decide whether the order is objectionable and I want to appeal it, I believe.

THE COURT: Well, it might be a nice way of getting to consistent results. I'm not sure I agree with the argument that there is an entirely open-ended order until all of the terms are -- are finally defined, but go ahead.

MR. GOLDMAN: All right. As Compaq sees the issue, the incorrectness of the master's underlying ruling, at least with respect to Compaq, is moot if the term 'opinion' in the September 23rd order is taken to mean formal opinion as distinct from the day-to-day communications between trial counsel and our client, because if what we've been ordered to do is to produce any formal opinions on any of these subjects, the answer is simple. There are none.

Now, after the -- just to quickly go through the proceedings after the September 26th -- 23rd order, on September 25th Compaq wrote to the master asking him to stay the dates for compliance in his order to allow Compaq to seek further review; in particular, to have -- and in addition, I guess, to have him further explain what he meant by 'opinion'. Plaintiffs opposed the application. That's at tab six -- six and seven in the materials you've been given.

Then on September 26, the special master held a telephone conference. The conference was not transcribed. In that conference, the special master stated that what he meant by opinion was a formal written opinion, and on September 29th Mr. Morris, who attended the telephone conference -- I did not -- circulated an e-mail setting forth the matters that had been discussed and decided, and later that day, as has not been atypical in this case, counsel for the plaintiffs wrote back disagreeing with what was in the e-mail, and still later in the

day Compaq replied. Those are tabs eight, nine, and ten.

On September 30, the -- the special master sent an e-mail to the parties saying that the e-mail correctly set forth what had happened at the telephone conference but the question of the meaning of 'opinion' was going to be the subject of further briefing. I note that this reading of the -- of -- of what -- of what that e-mail says -- and it's tab eleven in -- in -- in the book of material -- is different from the plaintiffs'.

The plaintiffs, in fact, in their -- in their table of contents describe it as an order reaffirming something or other, but it really doesn't matter, because the issue is before the Court this morning in one of two ways. What did the special master mean by 'opinion', and independent of that, if the -- if the Court is going to adhere to the master's interpretation of the scope of waiver, and we believe you should not, then what does 'opinion' mean in the context of -- of -- of such a waiver regardless of what the special master thought?

Now, we understand that the special master meant 'opinion' to mean a written opinion that was communicated to the client. The master said so in the September 26th telephone conference. And although we haven't submitted a declaration, there's Mr. Morris's e-mail, which is a contemporaneous writing, and we could do it if we had to.

And besides that, the rest of the September 23rd order makes no sense without that reading of 'opinion'; that is, opinion to mean a formal opinion. The order focused on the question of opinion shopping; that is, Compaq having gone to Mr. Dowler, having stopped that project, and then ultimately choosing to rely on the opinion of Seagate counsel.

And the special master saw that as at least raising the danger of opinion shopping, or shopping among opinion counsel, which is why the special master ordered the deposition of Mr. Dowler. The purpose was to make sure that Compaq was -- or at least to allow defendants to -- plaintiffs to explore the extent to which they wanted to argue that Compaq had been opinion shopping.

More important, the special master set up a procedure whereby he would review post-waiver opinions and communications to make sure they were not inconsistent with the written opinions upon which Compaq said it would rely.

Under plaintiffs' interpretation, as Mr. Landa told you, all of the day-to-day work product of my firm -- all of it -- would have to be logged and produced to Your Honor so that you can decide whether, on that particular day, anyone at my firm said or reached any conclusion that was contrary to what's in the opinions. All right?

Now, I don't think the special master had a -- with a thriving litigation practice of his own, was taking on that

burden. I don't think the Court wants to take on that burden. And I believe that if the special master was going to put that burden on anybody, he would have said so more clearly -- basically become the daily -- the daily reviewer of everything that goes on at -- at -- at my firm.

And so the Court should interpret 'opinion' to mean formal written opinion. The -- the parties briefs agree that the scope of the waiver, once there's been a waiver, is the rule of fairness. All right? So long as Compaq plans to rely on the opinions of counsel, and the law permits us to change our mind, then Convolve is allowed to test the bona fides of how counsel came to its conclusions and what Compaq did with those conclusions.

And so, as I said before, towards that end, all of the opinion counsel have been deposed. All of their documents -- work product, privilege, all of it -- has been -- has been -- has been produced. And Compaq's in-house counsel have been deposed or are going to be deposed without objection as to their communications with outside opinion counsel.

Trial counsel's different. All right? First of all, as I -- I told you before about the Crystal Semiconductor case, Compaq could not rely on the work of its trial counsel to defend against the charge and then, as a matter of simple fairness, plaintiffs shouldn't be allowed to rely on the work of Compaq's trial counsel to rebut a contention of non-

willfulness.

What's in play on a -- in a -- in a willful -- in a defense to a charge of willfulness is the opinion. Was the opinion reasonable or was the opinion not reasonable? Now, the Federal Rules of Civil Procedure provide a heightened protection for the opinion of -- for the opinion work product of trial counsel, right? Rule 26(b)(3).

And the case law in which trial counsel's work product has been invaded involves cases in which trial counsel in litigation have been at the same firm or in a case for -- in the -- in the Hainey [phonetic] case, where trial counsel was working with opinion counsel; that is, essentially giving the opinion counsel information and saying here, put this in the opinion. That's the Hainey case.

That -- the reason that clients go to separate opinion counsel is precisely for this reason, to avoid a waiver with respect to trial counsel if and when an election is made to waive with respect to opinion counsel. There's an expectation of -- of confidentiality of communication with trial counsel whether or not one gets an opinion, whether or not one chooses to rely on that opinion.

THE COURT: Well, does that then insulate any communications that trial counsel may have with the client, even if those communications would tend to undercut the reasonableness of the client's reliance on formal opinion

counsel?

Let me give you an example. Let me make it concrete. The -- your client gets Mr. Nekamora's [phonetic] opinion and goes to your firm and says gee, what do you think of this. And there's no formal opinion offered by your firm, but the informal response is gee, this is the sloppiest work I've ever seen, there -- there's no factual basis for it, they misread the law, but now you've got a formal opinion of counsel, run with it.

And -- and that's the advice provided. Wouldn't that certainly go to the reasonableness of your client's reliance on formal opinion?

MR. GOLDMAN: No.

THE COURT: Ah. Why?

MR. GOLDMAN: First of all, the person who has to run with it is me, all right? I mean, let me -- you know, there's an opinion, this is it, and I have to decide or I have to advise the client as to whether or not they want to ultimately rely on that opinion at trial.

It's a decision that I have to make with respect to whether or not we're going to -- we're going to put it into evidence and we're going to subject the attorney to cross examine. And so I guess the -- without waiving -- without waiving the privilege and the work product, it's not advice that -- it's not advice that one is likely to give.

Now, the more concrete -- not a better example, but another example really comes in the context of things that trial lawyers do all the time. Trial lawyers are asked to assess worst case scenarios. Trial lawyers are asked to assess probabilities of success under different sets of -- under different sets of proof.

Under the plaintiffs' view of the waiver, to the extent that any of that contradicts the opinion, which is a document that -- that sets forth a view as to how the merit -- the controversy should ultimately be revolved -- resolved, any of that is discoverable, because it, in theory, contradicts what's in the opinion. And that can't be the law. That can't be the law, because if it is the law, then no trial counsel can do its -- can do his work if there's a waiver, because --

THE COURT: Or, to put it the other way, by -- by choosing to rely on advice of counsel, you have made it more difficult for your attorney to do his work.

MR. GOLDMAN: By choosing to rely on the advice of outside opinion counsel, if there's a waiver with respect to the work of outside trial -- of outside trial counsel, separate firm, information not being -- you know, separate operation, then no trial -- in any case where there was an opinion, all the work product of trial counsel would then become at issue as to whether or not it was contradictory to the opinion that's relied on.

THE COURT: Well, let's not get to work product just yet. Let's just talk about advice of counsel or perhaps communicated work product, --

MR. GOLDMAN: Yes.

THE COURT: -- stuff that the attorney provides to the client.

MR. GOLDMAN: That's right.

THE COURT: That's a -- that's a far narrower subset of what we've been talking about.

MR. GOLDMAN: Yes.

THE COURT: Why would -- why would -- why would that upset the -- the ability of trial counsel to provide advice?

MR. GOLDMAN: For the -- for the same reason. If I can't speak frankly to my client as to what the probabilities are in the lawsuit, as to how -- as to how things play out under different scenarios, then I cannot give my counsel -- I can't give my client frank advice as to -- as to the status -- as to the status of the matter. And I can't -- I can't -- I can't project the future.

All I can do under those circumstances, at the risk of -- of setting myself up for my own deposition, is say well, here's the opinion, here's the pleadings, the pleadings -- the pleadings -- the pleadings are all there is, and we can't talk about anything else.

THE COURT: So -- so your view is that it is an

absolutely hard line between trial counsel and anyone else, either outside counsel who's actually relied on, other out -- other folks who might have provided information to the client, but whatever it is that the -- that trial counsel says to the client, regardless of how it might undercut the client's reliance on the formal opinion, is still out of bounds for discovery.

MR. GOLDMAN: I believe -- I believe that it's a bright line, yes, sir. I do, because the waiver -- the waiver is with respect to -- the waiver is with respect to the opinion of counsel that one is choosing to rely on. The waiver is not with respect -- the waiver is not with respect to the day-to-day management of the lawsuit or an assessment of risk as time -- as time goes forward.

THE COURT: Well, but now are we talking about a temporal distinction? When you say as -- as time goes forward, is -- is there a suggestion that that's the significant issue?

MR. GOLDMAN: No. The -- the special master's order -- the special master's order was -- the -- the -- the special master's order says that if we had rendered an -- an opinion -- and that's -- right? That's the term in play, what's an opinion. If we had rendered an opinion at or about the time of the -- of the Seagate opinions, the ones that Compaq has chosen to rely on, then that opinion would be waived because it would be another -- right? -- there is what Mr. Dowler did. There's

what the Seagate opinion was. And then there'd be the hypothetical Fish & Neave opinion, and -- of which there is none. All right?

And so on the question of what the, quote, opinion of counsel is, if we had created another opinion around that time -- and there have been cases where that has happened. Trial counsel has been asked to write a -- to write a formal opinion. This is not one of those cases. It just -- it -- it just didn't happen. That's -- that's what triggers the waiver. It's not temporal.

The question is what's being done. Is it -- is it -- is it an opinion or is it simply the day-to-day management of the lawsuit? I believe that's the distinction.

THE COURT: And in -- in the cases where trial counsel have been asked to write a formal opinion, those are opinions that the client then --

MR. GOLDMAN: Could conceivably rely on --

THE COURT: -- utilize --

MR. GOLDMAN: -- could conceivably rely on as a defense to a charge of willful infringement, yes, sir.

THE COURT: Okay.

MR. GOLDMAN: So now we turn -- we turn -- we turn to work product, right? The reason that trial counsel and opinion counsel should be treated differently is that the two processes -- trial work and opinion work -- are different.

In opinion work, a lawyer sits down with a pile of documents and synthesizes them into a summary and a recommendation, and the operative document is the opinion itself, and somebody hopes to rely on that and get it introduced into evidence through a sponsoring witness who testifies about the opinion.

The work product of opinion counsel is really not relevant to see if the opinion counsel changed his or her mind during the course of creating that opinion, but for the purpose of determining whether the ultimate work product, the opinion itself, was done in an objectively reasonable way; that is, the test is -- right? -- to avoid the negative inference, the question is did you have an objectively reasonable, competent opinion of counsel.

Trial work is different, right? In -- trial counsel -- view of life goes up and down from day to day. Some days you win, some days you lose. Things get decided. Motions get decided. There was -- a long time ago, and at the risk of giving Mr. Landa palpatations [sic], it -- it wasn't in this case -- there was an associate at my firm, a young associate, who was working on a case, and he had on his wall a meter. It sort of went from here to there. And it said, you know, we're ahead, or they're ahead.

It actually said something a little more graphic than that, but nevertheless, from day to day, you could sort of go

into his office and see on the dial where he thought -- where he thought the litigation was. All right? That's why associates don't render opinions. Right? They have to -- they have to slug it -- they have to slug it out from day to day.

Aside from our associates -- right? -- those of us with a little more experience know that what happens from day to day doesn't affect our ultimate view as to where the matter is going. There are events in a litigation that have substantive impact -- some discovery motions, patent claim construction, dispositive motions, and then the trial itself.

But the day-to-day battles of -- of litigation, while they're important, are not outcome dispositive, and so the -- they're the stuff, in essence, of life, right? But they don't affect my opinion as to how the matter will ultimately be resolved.

And accordingly, it's unfair -- right? -- to trial counsel to say that once you choose to put the opinion -- the document -- try to get the document into the case, everything else in your files, if it's a different -- from a different law firm from trial counsel, becomes subject to -- becomes subject to discovery, because it doesn't allow me to change my views, or to alter my views, or to think about my views as the case progresses.

It doesn't allow me to give frank advice on different scenarios to my client. Now, plaintiffs' October 9th letter

and Mr. Landa this morning makes plain the broad scope of the work product discovery that they seek. It's utterly inconsistent with the purpose of the attorney client privilege.

And it's utterly inconsistent with the protection of core attorney work product, which is to allow my juniors to take notes, and to write things down, and to discuss them with me so that at some point I can give advice to -- I can give advice to our client.

Even the gate keeper role that the special master was considering for post-waiver conduct is too intrusive. Right? Even under the narrow reading of 'opinion' that I'm asking the Court to adopt, if I have a status meeting with my client, I need to log that meeting in, and I need to provide to the Court the substance of what we talked about at the meeting to allow the Court to determine whether anything I said was inconsistent with any of the opinions of counsel.

Now, multiply that by the number of cases for which Your Honor is responsible in which there may be an opinion of counsel defense, and it's creating -- it's creating a pile of work for you that's -- that's improper on the law, and it's impractical.

THE COURT: That's burden, not intrusiveness.

MR. GOLDMAN: It is intrusiveness as to me, and it is burden as to you.

Now, if the Court's ruling as to the scope of the

waiver is too broad -- that is, it requires me to begin to think about having to divulge my work product -- and if Judge Daniels ultimately agrees with your interpretation -- with your interpretation of the law, then Compaq will be forced to rethink its decision as to whether or not to rely on the opinion of counsel or not.

And unless and until the federal circuit removes the negative inference from not having an opinion of counsel, then it would be fundamentally unfair to Compaq to force me into that -- to force our -- to force our -- to force not -- not me, but to force Compaq to make that election.

THE COURT: Well, that's -- that's simply a timing issue, right? And --

MR. GOLDMAN: In what sense, Your Honor?

THE COURT: Well, clients often have to make tough decisions, and you're simply saying that it would be unfair to them to have to make that decision in ignorance of how the federal circuit is going to come out on that.

MR. GOLDMAN: Well, yes. I mean, put a different way, it would be -- it would be -- yes, on that piece of it. It would also be -- yes, I guess that would be right. That would be the last point. Yes, sir.

THE COURT: Okay. Mr. Landa? Why don't we talk about sort of structurally how we're going to do this? I guess I would like you to respond, if you wish, to Compaq, then go

ahead into Seagate, and I'll give the Compaq and Seagate people at the very end a chance to finish up.

MR. LANDA: That's fine, Your Honor. Thank you. I guess the first thing that struck me about Mr. Goldman's argument is that Compaq says what's in play is whether the opinion is reasonable. And that goes right to the heart of [indiscernible].

I think that the law of this circuit and district -- and, in fact, I think the law everywhere is that what's in play is the defendant's state of mind. Was the reliance reasonable? And Mr. Goldman says that there -- there -- that -- that we would affect every case -- every case in the world that -- that relied on an opinion of counsel with the ruling in this case, and in fact, I'm not sure that's right.

There's a couple of things that -- that are important to know. The first is the timing of this case. Compaq was aware of allegations of infringement and didn't obtain an opinion counsel for two and a half years. It got sued, and it didn't obtain an opinion counsel for two and a half years.

Now, maybe if they had gone out the day they got sued or when they knew of the allegation of infringement and they engaged opinion counsel and they got an opinion early on, that -- that -- that they'd have a good argument to say hey -- and -- and there is case law [indiscernible] which is -- which is Electro Scientific -- where they say hey, all right, you got

this opinion two weeks after the lawsuit, I'm not [indiscernible] trial counsel's work product at that point. I just -- it's -- it -- it doesn't make sense. Maybe that's okay. Maybe it's not.

But -- but the -- but that issue also in Electro Scientific was not briefed. The Court says [indiscernible] because nobody briefed that [indiscernible].

The problem is two and a half years into this lawsuit, Compaq knew some things. What's in play is the reasonableness of their reliance on this opinion. And, you see, the -- the -- we've got this meter going back and forth, we're doing better, we're doing worse. Well, if the meter is sitting there, if we're doing worse, and you tell the client that, and then it turns out that you're doing better, and you win the case, then all of this doesn't matter. In other words, you can't be a willful infringer if you're not an infringer.

But if the meter's sitting there, and we're doing better, and the opinion comes in, we're doing better, and all of a sudden Compaq learns something really devastating to their case, they have some duty to figure out whether or not they should continue infringing. They can't just rely on this earlier decision. So things do go up and down, but I'm not sure --

THE COURT: Well, and -- and that seems to cut against your point about when they obtained the opinion of

counsel here. It would seem to me that they have some ongoing obligation, so that even if they obtained the opinion of counsel at day one, you would be arguing for their advice of counsel from their trial counsel now, because they have an ongoing obligation to change their behavior if, in fact, they learn information that leads them to believe that, in fact, they're infringing.

MR. LANDA: I -- I think I would be entitled to different things. I think I would be entitled only to things which clearly -- and I would say clearly contradict or cast doubt that are post-opinion. But pre-reliance, in the time period of reliance, when -- when you're forming your decision, your -- your advised decision, on what to do for your company -- maybe [indiscernible] this way. It might make more sense.

The importance of this is treble damages. Now, a company can go out and infringe and -- and -- and if you take a Compaq or a Seagate, much larger than either MIT or Convolve, and in different businesses than both MIT and Convolve, so MIT and Convolve's only measure of damages is a reasonable [indiscernible]; in other words, what Compaq or Seagate would have given them at the time had they agreed [indiscernible].

And so why the -- I mean, this is the whole reason that the -- this isn't trademark law, where you're counterfeiting, or where you can have punitive damages assessed. This is you find out about someone's patent rights -

- if -- if you don't know -- and Mr. Goldman [indiscernible] strict liability -- if you don't know about someone's patent rights, your liability is to pay them what you would have given them anyway for it, what a willing buyer and a willing seller would have done.

But to not take seriously your obligation to make sure you don't infringe -- that is discouraged. That's what this is about. And so what -- what we're talking about is -- is whether what's in play is can I just go and get an opinion and then rely on that opinion despite what else I know, or do I really have to go get advice of counsel and then rely on that advice. And that's -- that's [indiscernible].

THE COURT: And despite what I learn later on; at least, what contradicts what I knew before.

MR. LANDA: Well, when -- when you get -- when you learn that -- that -- and please, I am speaking hypothetically -- when you learn that -- that -- that your counsel rendered the opinion -- you know, was -- was completely mistaken, I think you have a duty to now check if you're infringing again.

If you learn that -- that -- if the Court comes down with a Markman ruling that says well, you know, I -- I see what the plaintiffs mean, and this is what they mean, and now -- now you -- you're -- you're confronted with your counsel saying there's no way the Court could find the claim could mean this, it has to mean that, and if it means that, you don't infringe,

and the Court then says, a year or two, three years later, it means this, I think you got a duty to refresh your opinion, to -- to -- to make sure that you're not infringing.

You have an affirmative duty not to trespass there, and I do see a different standard in my mind, and -- and I think the -- the special master did see a different standard post-reliance, after -- after you've made a decision to turn the battleship left, I think there's a -- there's a [indiscernible] there -- there -- there -- there's a different level of -- of -- of distraction. There's a different level -- you know, you -- you avoided the iceberg. You turned the battleship, right?

I think there's -- I think there's something different that you need afterwards to -- to change course back. In other words, to -- you have to go get another opinion if you find out that there was something wrong with yours. That's a little different than what information you had in your head and what you were really being told at the time you relied on [indiscernible].

But I do think that if trial counsel is feeding a defendant information that says go get an opinion because you're probably going to have to pay a reasonable royalty here, and you don't want to have to have [indiscernible] that that's the exact purpose that this law's in place, that we get to know that. That's not a reasonable opinion.

It may be a perfectly reasonable opinion bought and paid for, but that's not the law. That shouldn't be the law. And let me -- let me -- if you will, give you an example. Let's say that in the process of -- of this case, prior to receiving an opinion on the four seventy three patent, trial counsel said let's sit down together and figure out not to infringe this patent, let's design around it.

And the opinion of counsel that you get months later says that you didn't infringe before; in other words, now you're faced with a trial counsel saying [indiscernible] show you how to design around -- right? -- [indiscernible] show you how to change your product so you don't infringe, and then you got some other opinion written on paper that you're going to show to the jury that says we didn't infringe then, we don't infringe now.

I think those are two pretty different things, and that happened here. I mean, trial counsel has said they worked with -- worked with Compaq to design around the four seventy three patent in October of 2002 and then relied on a non-infringement opinion in February of 2003. Belt and suspenders? Could be. Could be belt and suspenders. It could be that trial counsel has a very different view of what the claims mean.

And we're entitled, I think, to know what the client thought [indiscernible] what -- what information they

[indiscernible] maybe it's belt and suspenders. Maybe not.

Let me address just a couple of other points that -- that Mr. Goldman made. I was thinking actually, while I was listening to Mr. Goldman and Your Honor, about you were talking about communicated versus -- versus uncommunicated work product, and -- and then it dawned on me that maybe there are three categories of work product here.

And that is, you know, the work product that may be provided to a client, the second being the work product that's evidence of what was provided to the client, and then the third category may be work product of what was in the lawyer's mind, and I think it's fair to say that I'm much more interested in the work product that's evidence of what was communicated to the client.

Now, some of the courts have said that the evidence of what's communicated is what the lawyer knows, but I think in Matsushita, had the Court focused on evidence of what was provided to the client, maybe that would have helped, so I think there might be a third category that we haven't really focused on.

Now, I'm compelled -- and I guess -- I guess Seagate had raised it first in their paper, the federal circuit's request [indiscernible] and this is very, very important. This is [indiscernible] in that case -- that's [indiscernible] versus Data Corp, the defendant elected not to rely on the

advice of counsel. It didn't. It didn't ring the bell. It didn't create the waiver. And then they got an adverse inference. That was a tough choice for them, very tough choice. Like courts have said, there is a tough choice there.

And after getting that adverse inference, they are now on appeal saying to the federal circuit that's not fair that we had to suffer the indignation of an adverse inference, that is an inference that our opinion was really bad because we chose not to produce it and create -- create the waiver. It's the inference they got.

That's not, I don't think [indiscernible] good opinion that they chose not to produce, but I don't know. They made a choice not to produce it and to live with the consequences, and what's on appeal is what those consequences are of not producing an opinion. We have a different case here. The opinion was produced. The waiver was created.

I think Mr. Goldman believes that he can simply later withdraw this opinion and, in effect, un-ring the bell or undo the waiver, and that's been a big issue in this case already. That is, in the plaintiffs' opinion, the defendants -- Compaq, specifically -- waived on the privilege with respect to both the six thirty five opinion and the four seventy three opinion.

And Compaq said no, no, no, we didn't mean the four seventy three opinion, even though, you know, there was a whole long list of -- of -- of -- of hearings where the opinions were

discussed, and letters, and the special master looked at it -- and -- and -- and we actually briefed it. I think the special master referred to it as the unwaiver issue, that you waived on the four seventy three, once you created that waiver, you can't unwaive.

You can't -- you can change your mind about reliance -- can't unwaive the privilege. You can't open the Pandora's Box and then if you decide you don't like how well the plaintiff [indiscernible] Pandora's Box, just say well, you know, we're -- it's -- it's -- you know, we've changed our mind and we want all those documents back. It doesn't work that way.

So [indiscernible] is irrelevant here because Data Corp was -- you know, made the decision not to ring the bell and has to live with the consequences no matter what the federal circuit decides.

THE COURT: Why would you ever want to unwaive if you didn't get the benefit of being able to un-ring the bell?

MR. LANDA: I can't imagine why you wouldn't.

THE COURT: Okay.

MR. LANDA: I mean, I -- I can't imagine that -- that one could say I'm relying on this opinion in my defense, and then -- and then decide not to rely on it, and well -- well, no -- well, I'll give you an example. Here -- here's a good reason I think -- I think -- I think there's a much better

answer to your question.

Let's say that Compaq says we're relying on this four seventy three opinion, and then the special master orders them to produce certain other documents as a result of their reliance, because he says you've created a waiver.

THE COURT: Right.

MR. LANDA: And then Compaq decides well, it isn't worth producing those other documents, because they're so bad for us, we'd rather have the adverse inference, so we're not going to rely on this opinion. You can't do that. You can't not produce [indiscernible] documents [indiscernible] created the waiver.

And that would be a circumstance -- those documents are terrible. That would be a great circumstance where you'd want to un-ring the bell. You'd want to undo [indiscernible] I want to take my waiver back. But you can't, because a waiver is -- is -- is a waiver.

And that's -- that's what [indiscernible] is all about. It's about someone who elected not to produce the opinion, probably because it was a -- a bad opinion, but I don't know that, or maybe because they got conflicting advice from another attorney. Or maybe they just thought that it was too much of a burden to produce the opinion because it was their trial counsel's opinion and they understood the Pandora's Box they'd have to open, that the written opinion may have been

different from some other stuff, and so they chose not to deal with any of it, and they say just because we don't produce it, we are not required to get an adverse inference --

(End of Tape 1, start of Tape 2; no overlap)

MR. LANDA: [indiscernible] case and [indiscernible] just wanted to deal with that for a moment. The Crystal Semiconductor case is -- is actually -- I -- I think a little bit -- we read it a little bit differently. I think what the question in Crystal Semiconductor is can one defend, and [indiscernible] says totality of the circumstances [indiscernible] willful infringement -- can one defend against willful infringement by saying my trial counsel put in defenses and that be your whole defense to willful infringement.

And I think what -- what the federal circuit said there is that you can't rely on trial counsel putting in defenses as [indiscernible] your evidence of not being willful. That's not an opinion of counsel. That's not advice from [indiscernible] counsel. Now, they may have said more to you, and maybe you'll waive the privilege and [indiscernible] but it's not [indiscernible] is -- is how we read that case.

I do want to point out -- and I think this is kind of important -- we got no documents from Compaq after the special master's ruling, so -- so let's be clear that -- that after all this litigation over what the plaintiffs are entitled to, the special master created a ruling, and the ruling in Compaq's

reading is a complete nullity. And in fact [indiscernible] Seagate took the same position [indiscernible] and by the way, if you impose that same standard on us with the formal opinions, we'd have nothing to produce.

And I don't the that that's where -- what this was all about. But it raises sort of an interesting question, and that is that -- that the previous [indiscernible] which -- which has been brought up, I think, for a couple of reasons here, wasn't just [indiscernible] but the plaintiffs asked for three things, and I'm reading -- I think we sent you the binder also for Dowler and this is from tab four -- the special master's ruling -- in that case, the September 18th ruling.

The third of the three things we asked for was Compaq to search its files, including the e-mails of Ms. Magami, for all documents responsive to Convolve's discovery requests relating to validity and infringement of the patents in suit. That is, we wanted a log of what they got. We wanted to understand what is the universe of documents that we're fighting over.

And on the last page of that opinion, the very, very last paragraph of it, the special master orders Compaq to confirm in writing with a copy to Convolve that it has searched for and produced all documents in its possession, including Ms. Magami's e-mails, for all documents relating to the issues of infringement, validity, and/or enforceability of the patents in

suit within the scope of the waiver in accordance with this letter, and I think what he was talking about is his understanding of the law of waiver.

And his last sentence says any such documents Compaq continues to withhold [indiscernible] trial counsel's documents -- so this was clearly intended to reach trial counsel's documents -- shall be entered on a privilege log. And we have received no such privilege log since September 18, and so we assume that, once again, Compaq read this order as limited [indiscernible] just Dowler [indiscernible] which -- we don't read it that way.

We were looking for the universe of documents, what has been communicated to Ms. Magami, and we think all that -- because remember, Compaq, for the purposes of this argument, is Ms. Magami. There's one person. She is in charge of the litigation. She is the one who requested the opinions. She is the one who reviewed them and established [indiscernible]. This is one person we're dealing with.

All the information [indiscernible] Compaq, so far as we can tell, went through Ms. Magami. We want to know what she was told. We asked for a log of it. We've received no such log. So that's the second order that after a substantial amount of litigation we don't have anything. And we've been fighting about this since -- since roughly February.

Now, Mr. Morris -- excuse me, Mr. Goldman said Mr.

Morris [indiscernible] file a declaration [indiscernible] what the special master said. And we can file [indiscernible] Mr. Kurtz and I were both on that conference call, and we have a greatly different view of what was said, as is evidenced by a lot of contemporaneous written notes.

I have no doubt that [indiscernible] I assure you [indiscernible] as well [indiscernible] different [indiscernible] so -- so I want to -- I want to put that to bed with this. There was a ruling in the case, and I don't have it with me -- I will find it -- that if it's not in writing, it didn't happen, because the parties have had this issue before.

The last thing that I just want to mention on -- on Compaq is that the focus is not on the opinion. The focus is on Compaq, what did they know, what did Compaq know and understand when it obtained advice of counsel and then reasonably relied on it to move ahead with their business.

And that's [indiscernible] I think with that, I will move on to my discussion with respect to Seagate, and if it's okay with Your Honor, I think I'm not going to repeat all of the law that we understand to be [indiscernible].

THE COURT: Please.

MR. LANDA: [indiscernible] incorporate that by reference.

THE COURT: Yes.

MR. LANDA: Okay. What -- what the plaintiffs seek

from Seagate is really stated in the opening brief on page three, and that is [indiscernible] pre-reliance time frame we are looking for internal communications on the subject matter of the opinion letters, communication between Seagate and any attorney on the subject matter of the opinion letters, documents reflecting outside counsel's opinions on the same subject as the opinion letters, and documents forming the basis for outside counsel's opinions on the same subject as the opinion letters.

And I want to start out by noting that it's Seagate's burden to prove each element of the attorney client privilege, including that the privilege has not been waived. And I think I can cite from Medings [phonetic] versus Medings at 199 Federal Rules Digest 135, Southern District of New York case, for that proposition.

As I did with Compaq, I'd like to just point out a few salient dates with respect to the Seagate issue. August 4th, 1999, Seagate gets a letter threatening litigation. October 1999, Seagate conducts an internal investigation. A number of its engineers look at patents and look at some other things. It turns out that only one of them had the right patent that he was looking at.

April 2000, Seagate engages the firm of Orrick Herrington as its trial counsel with -- I believe that [indiscernible] Orrick Herrington at the time. Subsequently

it's become McDermott Will & Emery. A month later, May 2000, Seagate engages Mr. Sikamora to opine on the patents. June 1st, Seagate sends a letter to Convolve cutting off all communications, don't talk to us. July 13th, MIT and Convolve sue.

July 24th, just about ten days later, eleven days later, Mr. Sikamora provides to Seagate a preliminary report [indiscernible] preliminary report. Six months later, on December 29th, Mr. Sikamora provides his written opinion with respect to the six thirty five and two sixty seven patents.

Let me focus on that for a minute; that is, it took Mr. Sikamora from May until December to write his opinion. If Seagate had sought that opinion in August when the threat of litigation was made, they would have had it before the lawsuit started, and it would have changed the timing of everything.

January of 2001, more than sixteen months after the -- the -- the first accusation of infringement, Seagate reviews and relies on Mr. Sikamora's opinion of the six thirty five patent.

November 2001, Seagate's notified of infringement of the four seventy three patent -- November of 2001. In February of 2003, fifteen months later, Seagate obtains Mr. Sikamora's written opinion, and Seagate then relies on that opinion.

And as I mentioned before, as you might imagine, each of Mr. Sikamora's opinions are substantively favorable to the

defense position in this case. So the primary tack that -- that -- that the -- that the plaintiffs are going to make is the reasonableness of reliance.

And this -- let me focus specifically on some things that have happened here, because Seagate has created a quilt work, a mix and match, of -- of -- of precisely what opinion testimony [indiscernible] or what opinion testimony [indiscernible] and [indiscernible] the plaintiffs have been deprived of a full and fair opportunity to understand the reasonableness of Seagate's reliance.

As I mentioned before, Mr. Heller -- very important, obviously, to us -- it was the subject matter of an unauthorized sur-sur-surreply filed by Seagate last Thursday night. The -- Mr. Heller said that he had analyzed the claims and communicated his analysis. But Seagate wouldn't -- instructed him not to answer what that analysis was. Mr. Heller is the patent counsel at Seagate.

Seagate's sur-sur-surreply focused on what Mr. Heller did testify to. I am focused on what they would not let him testify to. He's in-house patent counsel. He is the recipient of one of Seagate's in-house patent [indiscernible] of the scope of the validity -- the scope and validity of the six thirty five patent claims.

He analyzed the claims himself, and he's instructed not to answer numerous questions about those discussions; in

other words, where the privilege is clearly waived, infringement and validity of the patents in suit, Mr. Heller is instructed not to answer those questions.

As [indiscernible] Compaq, Seagate made a tough choice. They made a choice to rely on advice of counsel as an element of their defense. Now, to avoid MIT's discovery within the waiver created by its reliance, Seagate has two main arguments. One is that Seagate's litigation counsel and Seagate's opinion counsel acted independently. And the other is that according to Seagate, the plaintiffs can't show substantial need under Rule 26(b)(3).

And I think the -- the substance of that argument is that we would have to first show opinion shopping in order to show substantial need. But we find both of these inapposite, because the issue is what is in Seagate's state of mind, and not whether counsel acted independently.

Now, there's a couple things that we have established from discovery. We know that Seagate's legal department has interfaced with Seagate's board of directors, with Seagate's engineers, with Seagate's management, with Seagate's trial counsel, and with Seagate's opinion counsel, and with each other, on the topics of validity and infringement of the patents.

We also know that Seagate executives have interfaced with Seagate's engineers, with Seagate's legal department, and

each other regarding the validity of [indiscernible] patents. And we know that Seagate's board of directors has received what Seagate contends is privileged information regarding Seagate's position on infringement and validity; that is, they won't tell us what the report to the board was.

In fact, the question was what was the report to the board, and the objection was do you mean what -- you know, is that limited to what Mr. Sikamora's opinion was. No, it's not. Then I instruct the witness not to answer. We're just not telling you what the board really knew.

Because of the myriad of testimony, I put together a chart trying to show the movement of information [indiscernible] I might hand up a copy of this.

THE COURT: Yes.

MR. McMAHON: If the Court please, I'd object to that. That's the first time -- I was out in the hallway with counsel for about forty five minutes this morning, and he didn't share this with me.

THE COURT: You'll have an opportunity to respond, Mr. McMahon.

MR. McMAHON: Thank you, Your Honor.

MR. LANDA: And the darkened boxes here represent the people who have testified or -- or that we understand to have analyzed or formed opinions about patents, and in those -- those are four, the litigation counsel, opinion counsel, Mr.

Heller, who we were discussing, and Mr. Dempster [phonetic], the patent agent.

And the lines are the testimony we've gotten about who told what to whom over the course of this. Now, we can't tell who knows exactly what, because there's been a lot of instructions not to answer. But we can tell, for example, that Seagate's litigation counsel [indiscernible] has received both Mr. Sikamora's opinions and has interacted with trial counsel.

And -- and we can -- let's assume for the moment, just hypothetically, that trial counsel communicated to Betty Ann Durham [phonetic] a different view than that of Mr. Sikamora, a contrasting or contradicting view. If Ms. Durham withheld one of these two views from Mr. Porter, who you'll see just under the board, very high-ranking officer at Seagate, or to [indiscernible] general counsel who at the time was Mr. Hudson, to whom she reported, then I think Seagate would have been opinion shopping.

But if Ms. Durham didn't withhold any views, if she, in fact, told Mr. Porter both views -- that is, the view of litigation counsel and the view of opinion counsel, and maybe the view of Mr. Heller -- if she told Mr. Porter both views, and he didn't communicate that to Mr. Hudson, and I -- and Mr. Porter is supposedly the one who relied on [indiscernible] then Mr. Porter would have been opinion shopping. Or if Mr. Porter got both views and chose to rely on just one to the exclusion

of the other, Mr. Porter would have been opinion shopping.

We know that Mr. Hudson communicated to the board. And we know that they've taken the privilege on what that communication was; that is, Mr. Hudson had more than one view, and the only one they let him testify about is telling the board about Mr. Sikamora's opinion. They would not let him talk about telling the board something else. That's a problem.

At the top of the board, we've -- at the top of the chart, we've got Seagate's board of directors, who's gotten more than one view, and Seagate is taking the privilege on what I'll call the other views, whatever it is that's outside of Mr. Sikamora's opinion.

If evidence exists that Seagate had different opinions regarding infringement and validity, even if they were from trial counsel, MIT is entitled to all of those opinions so it can effectively challenge Mr. Sikamora's substantively favorable opinion. It doesn't matter whether trial and opinion counsel interacted. I know that's -- a big piece of Seagate's argument is that trial counsel and opinion counsel acted separately.

There is no line between them. We didn't draw one. We agree with them that they acted independently. But the problem is Seagate can't be permitted to use the privilege as a shield and a sword. They can't have corporate knowledge of something different than what they're relying on and disavow

that knowledge for the purpose of -- of having an opinion, and I think this is a -- this is precisely the same issue we have with Compaq; that is, you get an opinion of counsel. That is not a magic ticket. You get advice of counsel, and you reasonably rely on it. That's [indiscernible].

The second argument that we understand Seagate to make relates to Rule 26(b)(3), and as I discussed before, we don't believe that 26(b)(3) protections apply. We believe that's what they mean when they say work product protection is waived.

By asserting the advice of counsel defense, the -- the -- the defendants have -- have made an election to waive the work product immunity; that is, the subject matter is not protected work product anymore.

THE COURT: Let me stop you there and turn around the question that I asked Mr. Goldman. Is it your view that that waiver is as complete with respect to trial counsel as it is with respect to other counsel and that there is no heightened standard with respect to obtaining discovery of trial counsel?

MR. LANDA: There is a heightened standard. In -- in every case I've -- I've looked at when it deals with trial counsel, they say you've got to be really careful here, you've got to be careful, and do what you can, but U.S. v. Bilzarion [phonetic] says that you've got to be fair. You can't let the defendants use the privilege as a sword and a shield.

THE COURT: Well, how do we -- how do we articulate that heightened standard? What -- assuming there's a waiver, --

MR. LANDA: I -- I think the way to [indiscernible] let's go back to my pre-reliance, post-reliance idea. I think pre-reliance -- I think the information that -- and again, let's focus on the -- on the -- on the three categories that I finally decide exist [indiscernible] work product.

Work product provided to the client -- I think that's an easy -- easy situation. I think plaintiffs are entitled to whatever work product was provided to the client because it goes directly to the client's state of mind.

Second category -- evidence of what's provided. The evidence of what's been provided to the client is pretty important. I think you've got to make a -- I think there's a -- probably a distinction that can be made between pre-reliance and post-reliance, but pre-reliance evidence of what the client was actually told is the only way to really get to the heart of [indiscernible] advice.

And the third category is evidence of what the lawyers thought, and I would -- you know, I would -- you know, had I made Mr. Rozono's [phonetic] ruling -- and I did not -- he did. Had I done that, I might have said with respect to what the lawyers thought, that unless there was -- that unless there was post-reliance -- unless there's some evidence that

that communicated to the client, I might have excluded that, unless -- and I'd probably have cast a net like it was directly contradictory; that is, I can't believe that lawyer from Seagate could believe -- that an outside counsel for Seagate could believe that there is infringement and not tell his client that, where [indiscernible] counsel [indiscernible] that there's not.

That sort of direct contradiction is where I would cast the net, again, post-reliance, because I think pre-reliance any evidence of what we can figure out went to the -- to the state of mind of Seagate and Compaq is the only reasonable way for us to challenge the substance of this opinion, because on its face it's substantively favorable.

And I'm not saying Mr. Sikamora -- while I may disagree with his conclusions, I'm not saying he did a job in three inches of paper that a jury won't buy, or that might not have been reasonable. And I have -- I have some reasons why [indiscernible] his -- his -- on its face his opinion may not be sufficient.

But let's assume that it is sufficient on its face. We need to attack Seagate's reasonableness in relying on it, and let's face it, if -- if -- if trial counsel is telling them something different, then I don't think they could reasonably rely on that.

With respect to the -- the -- the -- the -- Seagate's

argument that we didn't show a substantial need -- and I'll address that just very briefly, quoting directly from the Mushroom case:

> "A substantial need exists for the work product so the discovering party can adequately address the advice of counsel defense. Also, the discovering party cannot obtain substantially equivalent materials because the specific work product is directly at issue. For instance, although the discovering party could obtain its own test results concerning the patent, the test results known to counsel at the time the advice was given is what's relevant when a party asserts the advice of counsel defense. Consequently, it is difficult to imagine the circumstances where the standard of discovery of a vast majority of work product will not be met in an advice of counsel case."

And Seagate has made no effort to show why it's different than the -- than the situation in Mushroom. What matters is what was communicated to Seagate and what's in Seagate's state of mind. Thank you, Your Honor.

THE COURT: Thank you. Mr. McMahon?

MR. McMAHON: Thank you, Your Honor. There's been a lot said, so I'll -- could say I'll try to be brief, but there's a lot to cover.

This -- this chart here, Judge -- I'm -- I'm having a little trouble with it, mostly because I can't read it. It's -- it's -- it's confusing and I don't know what it means. But let me try to -- to unravel some of this.

In this situation, we find ourselves in -- in a -- in a case which is, frankly, as far as Seagate goes -- and I believe the same is true for Convolve -- just like virtually any other patent case. Plaintiff, with this exhibit, has tried to suggest that it's otherwise, but you have a patent case.

There were assertions insofar as Seagate goes, and as far as Compaq goes, of an attempt to license back before the lawsuit was filed, and -- and Seagate knew about that, and -- and in fact, Compaq [sic] kept coming back to -- to Seagate. And then when Seagate would say no, we don't want a license, no thank you, they went to Compaq and said Seagate provides you with drives, why don't you suggest to Seagate they license our technology, so Compaq says, you know, take a look at it. You know, we already have.

And so then there were a lot of discussions. So at some point, Convolve does say we think -- it's kind of a veiled threat. Variously they've said it wasn't a litigation threat. Today you heard they said it was. So -- so Seagate says no, thank you. They do an internal review. They take it very seriously, with a whole bevy of PhDs that looked at the technology, and they did get the right patents.

They -- they looked at the -- the two sixty seven and the six thirty five. They looked at these. And -- and they said we don't infringe them -- there -- there's e-mails about this -- and we don't think these patents are any good. So -- so they say that. And -- and this was involved with one of the -- the patent agents at -- at Seagate.

So then there is some more correspondence, and then Seagate, before there's any action filed -- and -- and this is unusual in my experience, and I earned every one of these gray hairs. Now they're turning to white, but I've been doing this for a long time.

Seagate, before it gets sued, actually goes out, even though it did an internal analysis with PhDs that they didn't infringe these patents, which we're also relying on in this case, in May of 2000, before there's an action filed, they -- they hired Mr. Sikamora, Gerry Sikamora, electrical engineer, then was with the -- the law firm of Limbaugh & Limbaugh, very well known patent boutique, a very good man.

Then Seagate, still before the -- the action is -- is filed, gets an oral opinion from -- they -- they get an opinion update on the 7th of July. This is all in the record before you. And it's not until July 13th of the year 2000 that Convolve finally brings an action. And they bring the action on -- on two patents, the two sixty seven and the six thirty five.

They also had a P.C.T. application -- that's a -- a European patent application -- pending, which later became the four seventy three patent. Now -- now, what Mr. Landa didn't tell you was what -- not only did Seagate ask for opinion on the two sixty seven and the six thirty five patent, it even asked for an opinion on the P.C.T. application which later turned out to be the four seventy three. The claims are -- are different.

And -- and Mr. Sikamora did do that, so all these issues -- and I say we waited on the four seventy three fifteen months. I'll explain that in just a second. As much information as we had, we asked for opinions; that is to say, we -- I'm -- I'm -- bad habit of mine -- that Seagate -- Seagate said to Mr. Sikamora we want opinions on that.

So then, on July 24th, which is eleven days -- eleven days -- after the suit is filed, they get a formal written opinion -- that's -- that's one of these three inch things we have -- on -- on the two actual patents that had been issued by the United States Patent and Trademark Office, and on this P.C.T. application that said that there was no infringement and -- and -- and said that we believe these things to be invalid -- very extensive analysis, very extensive, within a few days of the time the complaint is filed.

Now, there were some discussions at the board, and the relyer -- the relyer -- the person at Seagate that the --

the -- these opinions were provided to was a fellow up on the top of this, just under Seagate's board, by the name of -- of Porter, Tom Porter, Townsend Porter. He was the C.T.O. He was the right fellow to rely on that.

And -- and Ms. Durham is in the legal department of Seagate. She was not the relyer. She was not the relyer. She was managing it. The relyer was Mr. Porter. And he relied on all of the opinions that -- that Mr. Sikamora gave, the -- the initial opinion, the -- the -- the final opinion on the two issued patents and the P.C.T., and then he relied on the four seventy three. That's the fellow that did that relying.

And there was a mention at the board meeting because -- and the reason why it went to a board level is because before the Cadwalader firm filed the action, they filed a press release and -- and brought to the attention of the analyst community that they were filing an eight hundred million dollar claim against Seagate.

And yes, Your Honor, that got the board's attention, and there were some discussions, and -- and I was there at the deposition with Mr. Porter, and he asked Mr. Porter what was discussed about the lawsuit with -- with the board, and I said are you asking about Mr. Sikamora -- I'm fine with that. Anything beyond that, we can't do it, because the general counsel's there, and there -- there are discussions about other things that are attorney client privileged.

From that, of course, Mr. Landa leaps to the immediate proposition -- well, there was another opinion. Well, there's no evidence of that. In fact, Ms. Durham, who was at that board meeting, in a declaration under oath said there were no other opinions. No other opinions were obtained besides those from Mr. Sikamora. So -- so that supposition that -- that counsel articulated just a few minutes ago is just flat-out wrong.

THE COURT: Well, maybe we're having one of the semantic issues that -- that involve the -- the Compaq decision. When we say there was no other opinion, are you suggesting that no one in any other respect discussed validity or infringement?

MR. McMAHON: There was no other reliance opinion provided to Seagate upon which Mr. Porter relied. There was no other -- no other opinion. They didn't go out -- there was no one else they ever talked to, another opinion counsel. There was separate opinion counsel and separate trial counsel at all times.

THE COURT: I understand that, but that still doesn't answer my question. My question is are you suggesting to me that at that board meeting no one else said a board about infringement or validity.

MR. McMAHON: There's no evidence in the record right now about that.

THE COURT: Okay. But -- but --

MR. McMAHON: There isn't any -- there isn't any evidence, so I can't -- I can't tell you.

THE COURT: Right, and there isn't any evidence because you directed him not to answer.

MR. McMAHON: That's right, because there was no end of attorney client privileged information that was there.

THE COURT: Okay.

MR. McMAHON: And litigation counsel was there. Litigation supervising counsel was there. And -- and -- and when you asked Mr. Goldman whether or not there's a -- you said a hard line or a bright line between opinion counsel and litigation counsel, I agree with what he said. Absolutely there is a bright line there. And there has to be.

You know, I'm just going to go off on my -- the chronology for a minute and tell you why. I'm going to answer the question just a little bit differently way than -- than Mr. Goldman did, because you asked him why is that. And I believe it's because the defendant in the patent case is presented with -- with a decision that really puts them on the horns of a dilemma.

On the one hand, if you don't get an opinion, you'll get an adverse inference which will actually be read to the jury. We -- we've seen the jury instructions. It's -- it's absolutely frightening -- that says they could have, and they

didn't, and you can determine -- you can take an adverse inference from that that it would have been a bad opinion.

And on the other hand, you waive. So it's not like this is voluntary. I keep -- I keep hearing that this is voluntary. Well, we chose to do this. I don't think there's a choice here. And I think it's like -- and we cited this to you -- the Standard Charter Bank case. In the Standard Charter Bank case, the court said there is no voluntary waiver here because there was a fraud counterclaim. It was compulsory.

The court ruled that it was a compulsory counterclaim, and one of the defenses in -- in that would be, you know, our intent. And they had a -- a -- an opinion from their -- it happened to be their trial counsel was also their opinion counsel on that. And the court said we're not going to allow a waiver there because there's no voluntary aspect to this. It was -- it was a compulsory cross complaint, and they had to bring it.

In this instance -- and I -- and I'm analogizing here -- that -- that -- excuse me, Seagate didn't have a choice. It was either a negative inference or waive. Of course.

THE COURT: But -- but it is clear as a matter of law that whether you call it voluntary or not, it effects a waiver.

MR. McMAHON: It -- it is a waiver, but it's the character of the waiver that makes the difference and -- and says a lot about the difference between being opinion counsel

on the one hand, in your office, writing a -- you know, an -- of an analysis, and -- and I'll provide these to you, because I think they're wonderful -- writing those, doing an analysis, having someone go out and do a -- do a prior art search, and -- and -- and looking at the products, and comparing them to the claims in your office.

And that's a very sanitary and excellent way to do it, and that's the law, and a lot of what I heard from Mr. Landa was -- this morning was really his complaints about the law -- this just doesn't seem right. That's the way it is. I mean, really, what he's asking you to do is legislate here, change all of this -- I really don't like this, because they get to -- they get to have the opinion counsel come in and testify that he gave his opinion, and it's like having a second closing argument. He didn't use that one, but I'll say that for him.

You get to have an opinion counsel, but that's the way it is. That's the way the cases that -- that we've all tried, and that's what happens in the courts, and he wants you to legislate something otherwise.

Now, the issue here, then, is with -- with -- with -- with litigation counsel, if the Court please. Litigation counsel has to analyze the thing and has to look at risks, and -- and when -- and when the damages go up, so do the risks, whether or not you think you're fine on -- on liability or not.

I mean, it's the same if you're looking at a rear-ender, and you're defending a rear-ender. There's no difference. And so you -- you say things. You analyze things. You look at things. I don't know about that meter on the wall, but -- but it's different for -- for litigation counsel than it is for opinion counsel, so a waiver of opinion counsel, when you really have to do it or face that negative inference -- and what trial counsel does is completely different. And I think that's what creates the bright line.

And let me just say one other thing before I go back to my chronology, that when he said there are ten cases -- count them, ten, Your Honor -- in this district about this issue, I have to tell you those were not waivers by trial counsel in these situations. He has cited to you some securities cases, all kinds of different cases. They're cases where trial counsel was also opinion counsel.

I'm only aware of two cases, and I don't even pretend to -- to read all the law and know all this, Judge, but I know of two cases where there was a waiver, that the waiver of trial counsel was actually discussed when there was also opinion counsel, and the two were separate.

One of them was the Hainey case, and in the Hainey case -- and that came out in 2001, out of the District of Oregon -- and in that case, because the -- it was the -- it was the Klarquist Sparkman firm. They're a -- they're a boutique

patent firm. They were providing information to the opinion counsel, and that's what -- that's what the judge found, that -- that -- that -- that -- that the litigation lawyer was sending things over to the opinion counsel.

Unfortunately, the -- the opinion doesn't say exactly what these things were. Here, by counsel's own admission, that didn't happen here. We have testimony from Mr. Sikamora. He says I never talked to the litigation lawyers, either Orrick Herrington, my prior firm, or -- or -- or McDermott Will, where I've been for the last three years. This case has been going on for a long time, three and a half years.

So -- so that never happened here. None of that ever happened. So that case is -- is -- on its own facts is inapplicable here, but the court made a specific finding there. Then there's another case where Magistrate Judge Lean [phonetic] in -- last year in -- in -- in -- in the District of Nevada was presented with this situation where there was a trial counsel -- and -- and this is in the Aspex case, A S P E X, and we cited that in our -- it was a surreply or the sur-surreply, but it's in there, Your Honor, and I -- I'll give you the cite if you'd like it.

But -- but in that case, Magistrate Judge Lean found that there was the first trial counsel -- okay? And then there was a second trial counsel. The first trial counsel gave oral opinions on non-infringement to avoid willfulness and then was

replaced by a second trial counsel -- a second trial -- different trial counsel, different firm.

The first trial counsel -- because the facts are kind of extreme here. It was an oral opinion, first of all. Second of all, the -- the -- the -- the opinion slash trial counsel couldn't remember exactly what he relied on in order to give that opinion, and second, couldn't recall exactly what he informed the client of; that is to say, that's the other waiver issue. You know, how broad is the waiver going to be? You know, the work product waiver. How broad is -- he couldn't remember any of those things.

And his deposition was partially taken, and the -- and -- and the -- and -- and Judge Lean said there's a waiver as to the first fellow, even though he was a trial counsel, because he became opinion counsel, and then all bets are off. But as to trial counsel, current trial counsel, even though we have the facts that obtained on the first fellow, on the second fellow no waiver. No waiver.

Now, that's very close to this case, except we have written opinions and everything, but it's separate. And I don't know of any other cases where there -- where trial counsel and opinion counsel weren't the same person, in this district or any other, that -- that Convolve can look to, and I could be wrong, and he can correct me on that, but I really tried, and -- and I tried again yesterday, and I tried when we

wrote these briefs.

But I'm telling you, Judge, he's asking you to do something for which there's no authority, and -- and the special master said, frankly, that -- that he thought this was a matter of first impression. You know, and there's been some talk about opinion shopping and the like. None of that's on Seagate. None of that's on Seagate.

I -- I don't think -- I think that -- that -- that the special master's decision was wrong with respect to Compaq, but I -- I think he was moved by some of those facts. Seagate didn't do any opinion shopping. It didn't change counsel. And it didn't delay. It didn't delay.

I'll finish my -- my -- my chronology here, because once the final opinion on the first two patents and the P.C.C. -- P.C.T. came down on December 29th, 2000, it was done. Then the four seventy three patent actually issued on November 6th. Plaintiff then filed its amended complaint -- we actually stipulated to it -- the -- on the -- in -- right at the end of 2002, within a short period of time after that patent was issued.

Seagate then says to Mr. Sikamora we would like you to do an opinion on the four seventy three for us. Now, in the interim, the Limbaugh firm -- the only reason I raised the name of his firm earlier was because it -- it essentially went out of business. It dissolved, Your Honor. And Mr. Sikamora went

to work for an outfit called Gray Carey [phonetic]. You'll see their name in your -- in your file, and -- another very reputable law firm that does a lot of I.P. work all over the country.

And so he was working for them, and when -- when asked by Seagate would you do the four seventy three opinion, which is really a follow-on to your P.C.T. opinion that you've already given us, could you do that, and he said I think there's a -- there's a conflict, and -- and -- and I think in his deposition he said they represented some other hard disk manufacturers at Gray Carey.

And then within a month or so after that -- maybe two months -- the conflict was resolved, and Mr. Sikamora agreed to go forward with it, you know, even though he switched to a new firm, and there was this potential conflict. And then about a year later he comes up with his formal written opinion, which they criticized us for, and it took too long. Well, he changed firms.

But I can only imagine, Your Honor, if we hadn't gone to Mr. Sikamora and had gone to a new lawyer, what they'd be saying here today, that we were opinion shopping on that. So Seagate stuck to its guns and said, you know, Gerry, you know, work out the conflict, you did the -- the prior opinions, we want you on this one.

So what you have here is the unusual case for Seagate

where, from the very beginning, they asked for opinions before the case was filed, and they -- and they got those opinions right straight through, and they relied on those opinions. And they properly relied on those opinions. And they had separate trial counsel.

And the facts are, in the depositions, in the declarations, that -- that there was a bright line at Seagate. There was no cross over, and plaintiff here admits it, as rightly he should. So if Your Honor rules -- and -- and there is no ruling so far. You are the first one to take a look at this. You know, the special master never did rule on it because they pointed out that which made him recuse himself before he could reach this.

But if Your Honor finds on the Seagate facts that there is a waiver of trial counsel, that must apply to every single patent case in the country, and I am not overstating it. I truly don't believe that I am. And so what's the sequella of that? The sequella of that is that my whole file gets opened up. And he sat and argued here this morning early on a couple hours ago that the special master, as broad as his order was, wasn't -- wasn't broad enough for them.

My deposition would be taken. Everyone working on -- in my shop that worked on this case -- their depositions are going to be taken. And -- and they're going to want to know everything. Every scrap of paper is going to have to be

produced in this case and, if the Court please, every other case.

And I have to tell you, I think this impinges upon the Seventh Amendment right to Seagate and any other defendant to a fair trial, because if they can't have their trial lawyer be candid with them, discuss the risks in light of, you know, how a jury might understand or not understand the non-infringement position, an invalidity position, the -- the -- the -- the -- the monumental damages that are being sought by a -- by a single inventor for a one person company -- you know, you have to say things to people, and you have to analyze that.

And I'm not being particular to this case, but that would obtain in -- in any case. I think these are just huge issues that need to be dealt with. But I think at the end of the day -- and you've heard a lot of law this morning -- there isn't any case that would allow the attorney client privilege to be pierced as to trial counsel in this case, particularly to the links that Seagate went to separate out.

Now, what he does, because he knows that he's got some problems on the law and the facts, is he tries to muddy up the waters a little bit -- oh, well, Mr. Heller, look what Seagate's been doing, this quilt that they've been patching together, you see what kind of fellows they are, they're not nice people.

I was there at Mr. Heller's deposition, and we had an

order from the special master where he said opinions regarding invalidity, infringement, or unenforceability can be gone into, and when he asked about that, they went into it.

Now, the one he's talking about, the analysis that he talked about, the testimony is from Mr. Heller under oath -- is that he didn't analyze for infringement, invalidity, or, frankly, unenforceability. What he was doing was an analysis that related to licensing. So he didn't do the kind of analysis that counsel wanted.

And I allowed him to ask those questions -- did you do an analysis regarding invalidity? No. Did you do an analysis regarding non-infringement? No. Did you do -- what did you do? I did an analysis with respect to licensing, because that's what I was doing, because he was the interplay -- at that point, it was in his bailiwick. It wasn't in the Betty Ann Durham bailiwick where they do litigation.

And so he's giving advice about licensing and -- and -- and the like, and -- and when counsel asked that question, I said are you asking about invalidity of -- he said no, I'm asking about licensing analysis. Then I said I'm going to instruct him not to answer. And I did.

And I was very careful -- and the transcript will -- will say that and will show that very clearly, because if you don't think that I was mindful that they were going to come before you and -- and present this issue -- you know, I gotta

tell you, I'm -- didn't fall off the turnip truck last week. I knew that was going to happen. If I'm going to do something stupid in that deposition that would prejudice you against your case -- I'm not going to do that. So I was very careful within the constraints of -- of what the special master gave us.

And again, I think that deposition will bear itself out. What bothers me the most, I guess, is they brought this up in -- I guess it was their surreply, and it was my sur-surreply, and then I had to hit that ball back over the net, because we're supposed to brief this on the 30th of -- of this month, and then you were going to set a hearing for it, and we can talk about it then.

I think it's irrelevant to this issue. It's irrelevant.

THE COURT: Well, I think the relevance is not so much for the specifics of Mr. Heller's role and what questions he didn't answer as it is for the much more general proposition that you may have maintained a Chinese wall between opinion counsel and trial counsel, but that does not mean that there was not information conveyed to the client that affected the client's ability -- I'm sorry, the reasonableness of the client's reliance on opinion counsel that may have come from trial counsel and should be subject to discovery. I think that's the only point.

MR. McMAHON: Well, I understand that that's his

point, and that's what you're presented with, and my point is that that cannot happen.

THE COURT: Why can that not happen?

MR. McMAHON: Because you have trial counsel and you have opinion counsel. And you have a negative inference if you don't waive. And so we keep everything separate so that we can have frank discussions on the litigation side, which the cases all say is very different than the opinion side, and the opinion side is separate, and they do a very pristine analysis.

THE COURT: Yeah, but you're not suggesting that it's impossible for trial counsel to influence the reasonableness of the reliance on the part of the client, are you?

MR. McMAHON: I am saying that a -- that a -- that a -- I guess I have to answer that question, to be honest with you, no, but a good lawyer knows the difference. You'd think I was -- the word that comes to mind would be inappropriate in -- in -- in the sanctity of these -- in these walls, but -- but -- but -- but -- but a good lawyer knows not to do that, and you don't do that, and you stay out of that.

And there is no evidence in this case whatsoever that could justify violating the attorney client privilege as the trial counsel and all of the sequella that I described earlier, including huge issues with the -- with the Seventh Amendment.

Now, just one last thing. Now, what did we produce? Because there's always these inferences that no, they didn't do

it -- we -- Mr. -- Mr. Sikamora's deposition has been taken. No holds barred. I think maybe he's not even finished and it might go again. We offered up Mr. -- Mr. Heller. He still didn't like it, but I let him get his answers, to the extent the special master said that we should, and even a little bit more. They've had -- they have an opportunity to take Betty Ann Durham's deposition.

We provided everything that Mr. Sikamora relied on, whether or not he provided it to the client. So, in other words, the -- the breadth of that waiver -- you know, the work product waiver for -- for opinion counsel -- we provided everything that he had. Counsel got everything -- nothing that he had that they didn't get. So we didn't hold back anything on there.

So they have gotten everything from us that they need, so -- so if the Court please, this should be -- for several reasons you should deny their motion. First, because the attorney client privilege is clearly not exposed here -- and I suggest to you that it's their burden to break through the attorney client privilege here.

They can take it up so far. They have a burden of going forward. And they -- you know, the -- that we have a burden of kind of going forward and saying that there was a proper structure set up, then they have to -- they have the burden of going any further than that. And they haven't done

that.

The second reason, if the Court please, is that if the Court rules this way, it is -- the implications are going to be just dramatic -- I mean, literally, dramatic, in -- in all patent cases across the country.

Third, they got everything that we have. Everything that they were entitled to they have already gotten. They just haven't made out their case, and there's no grounds to get to trial counsel in this case. Thank you, Your Honor.

THE COURT: Thanks. Do you want to respond to Seagate? Then I'll hear from them.

MR. LANDA: Your Honor, I'll be very brief. Mr. McMahon used the term reliance opinion, and I think that sort of sums up all of the [indiscernible] and that is the notion that -- that the defendants have that -- that they can rely on something in a vacuum, that they can -- that they can pick the opinion that they want to rely on and then, using the privilege or the work product protection, prevent the plaintiffs from getting at the truth.

And as Mr. McMahon said, the implications are dramatic; that is, if -- if -- if the -- the opinion process becomes one where you can pick and choose which opinions you rely on, where you can rely on an opinion even though you know other facts or opinions to the contrary, and you can hide [indiscernible] behind your trial counsel, then I think the

opinion has no value other than as a [indiscernible]. Like the --

THE COURT: Well, I'm not sure that that's what Mr. McMahon was suggesting. I think he was drawing a somewhat different line. I -- you're making it sound like that there are all of these other opinions out there by persons other than trial counsel, but because they're filtered through trial counsel, Mr. McMahon is asserting the privilege. Let's set that aside a minute.

I mean, I think the line he's drawing is between trial counsel and everybody else. And --

MR. LANDA: [indiscernible]

THE COURT: -- I wonder if that's so dramatic.

MR. LANDA: Let me -- let me focus on that, because -- because first -- and I don't have the case cite for you [indiscernible] there was a case [indiscernible] spent a lot of time putting the words 'so-called' in front of trial counsel and 'so-called' opinion counsel [indiscernible] made along the way. They were lawyers who were giving advice.

Now, I understand that that's -- that -- Seagate suggests that there is no way that they could have accomplished getting a good faith opinion counsel under these circumstances. And that might be true. I mean, frankly, if you give two lawyers the job of looking at your patent, one of them says you infringe, and one says you don't, I think you're maybe out of

luck, unless you at least get a third independent lawyer involved and have them come up with something, and maybe two out of three is enough. Maybe it's three out of four.

But the real question is, you know, could Seagate have done something if -- if its trial counsel were of the opinion that Seagate infringed. I think they've got a pretty tough burden once that happens. Once their trial counsel has determined that they've got a serious infringement problem, that -- that they may likely infringe this patent, that the patents are probably valid, once they've heard that, I don't think one opinion from anyone would [indiscernible] maybe three. I don't know. Maybe three, if three people differed with that.

The -- the -- the -- you know, Seagate -- I didn't choose how Seagate handled their information. I didn't choose not to set up a Chinese wall in the company and say okay, trial counsel is only going to interface with these people, and we want to keep them out of Seagate's decision on what to do, and we're going to make that Chinese wall. The -- the -- the chart I have shows what happened as best as we can piece it together.

Seagate won't tell us about the analysis done by -- by Mr. Heller [indiscernible] and I note -- I heard what Mr. McMahon said about that, but I'm going to read from his deposition.

"Q What --"

MR. McMAHON: I'm sorry, can I get a page and line?

MR. LANDA: Yeah. I'm on page forty six, starting at line two.

"Q What did you convey to Mr. Waite regarding your analysis of Convolve or MIT patent claims?"

"MR. McMAHON: Same objection. Same instruction."

"Q What did you convey to Mr. Dempster with respect to your analysis of Convolve or MIT patent claims?"

"MR. McMAHON: Same objection. Same instruction."

If there's any confusion, the objection was attorney client privilege and -- and work product, and the instruction was not to answer. Those are just two. That goes on for pages of the deposition.

In terms of -- of -- let -- let me -- let me focus on -- on -- on -- I think I have just three more points to make, and I'll try to do it quickly. Seagate made mention that -- that -- that maybe this was a veiled threat of litigation or maybe it was a threat of litigation. Maybe they were on notice and maybe they weren't. But according to Mr. McMahon, they were good citizens, and they went and did their own internal investigation.

Talking specifically about what -- what plaintiffs said, they knew about the infringement claim on August 4th, and I'm going to read from Betty Ann Durham's deposition testimony on November 14th, 2002, on page forty eight at line fifteen.

"Q I would like you to identify the specific words that identify a threat of litigation, specific words in the letter."

And the letter we're referring to is the August 4th letter from plaintiff to Seagate. Ms. -- there was an objection to the form of the question, and the witness says the letter as a totality is a threat of litigation. Seagate's litigation counsel understood the August 4th letter to be a threat of litigation.

What Convolve understood it to be is something -- is not relevant. It's Seagate's state of mind that's at issue here.

The last -- the last thing that I want to set straight is what happened with the board, and I'm going to read from Mr. Porter's testimony at page one hundred and twenty four, starting at line twenty three and going on to the top of page one hundred and twenty five.

"Q Let me see if you can answer this question. And again, I'm focused on the August or so board meeting where Bill Hudson --"

-- and that's general counsel --

"Q -- made a presentation to the board and the specific question that I want to get answered is whether or not Bill Hudson communicated information relating to Seagate's position on infringement or validity of the patents in suit at that time."

Mr. McMahon -- question Mr. McMahon asks, as described by Mr. Sikamora? And I respond not limited to that. And Mr. McMahon says I will instruct him not to answer the question. This wasn't about discussions of litigation strategy. This was discussions of Seagate's position on infringement and validity.

Seagate made a tough choice. I don't envy their choice. Data Corporation made the opposite choice [indiscernible] their choice. Data Corporation can legitimately say we shouldn't have suffered the slings and arrows of an adverse inference, and maybe they'll win, and maybe they'll lose. We don't know the answer to that. Seagate made the opposite choice, and they have waived the privilege, and they have waived the work product.

And this is a truth-finding process. We need to know whether Seagate reasonably relied on this, because if they didn't, they should be penalized. Otherwise, they have no incentive to ever negotiate with the small inventor, with a college like the -- of the fame of Massachusetts Institute of Technology, because the best that the plaintiff can ever do -- the best they can ever do is get their reasonable royalty, what you would have given them at the time.

And the whole point of -- of that -- of the enhanced duty not to trespass is to -- is to say look, if -- if you know you were infringing anyway, or if you've got this reasonable

belief, then -- then you have to figure that out, and, you know, go negotiate with the guy, work something out, don't burden the court system with it. This is -- this is what the whole opinion system is about. Thank you.

THE COURT: Thanks. Mr. Goldman?

MR. GOLDMAN: I'll be brief, or I'll try. It's interesting to hear Mr. Landa mention the question of negotiating and settling. As I said before, if plaintiffs' view of the waiver prevails, and if plaintiffs ever, for the first time in the three and a half years that this lawsuit's been going on, broached the subject of settlement, which they have not done, there will be no way for me to advise my client as to the risks, because I would have to assess the risks in a way that would undoubtedly be contrary to Mr. Sikamora's opinion, which is a properly instructed court and jury ought to find for the defendants.

The issues are important. The issues are important for all the reasons that Mr. McMahon said, and possibly for the reasons that Mr. Landa said, but there is, in fact, a -- there is, in fact, another possibility. Mr. Landa said that it's -- it -- that one cannot unwaive. And I don't believe that that's the law. There's a -- there's a decision in this district, actually, which Mr. Landa said -- cited, Madonis against Madonis, 199 FRD 135.

It's actually a decision by Your Honor, and at one

fifty two the Court said plaintiff responds that once having advanced a general advice of counsel defense, the Madonis brothers cannot now unring the bell. There is no authority for such a ruling. Indeed, parties commonly modify their legal claims during the course of the litigation. As long as the adversary is not prejudiced, there is no reason to compel a party to maintain claims or defenses that it wishes to abandon.

And so if, in fact, where we go with this is that the Court's ruling on -- the Court's ruling on the scope of waiver is too onerous, we can pursue the constitutional issues, as Mr. McMahon suggests, but we all then -- we then also have to seriously consider withdrawing our intention to rely on the defense of -- on the -- on the opinion of counsel, and -- and suffer, as Mr. Landa said, the slings and arrows of the -- of the negative inference. So that is the other possible outcome here.

THE COURT: With a long session of briefings about whether or not the plaintiff would be prejudiced.

MR. GOLDMAN: I can remain hopeful that that won't happen.

The second issue that Mr. -- that Mr. Landa raised was what was done in response to the special master's order with respect to Mr. Dowling -- Mr. Dowler, rather, whether the -- whether documents were produced. They were produced. There was a subsequent production. Nothing was scheduled. Nothing

was withheld. That which we were ordered to produce we produced.

To the extent that there are documents that were also implicated by the current dispute -- that is, the scope of waiver with respect to trial counsel -- those documents haven't been -- haven't been scheduled, haven't been produced, pending some decision as to what it is we're actually supposed to do, as to what the scope of the -- as to what the scope of the waiver has been.

THE COURT: I'm sorry, I'm -- I'm missing that. Are you suggesting that there are documents that are both within the scope of this dispute and the Dowler issue, and they were withheld because of the pendency of this dispute?

MR. GOLDMAN: No. There were documents -- everything relating to Compaq's reliance on the Dowler opinion was produced. That's my understanding. And then what's left is -- are documents that would or would not relate, and -- and again, there I don't know what exists. I don't know whether there are or there aren't, but we -- we're not at that point yet.

(Off the record discussion)

MR. GOLDMAN: Mr. Morris tells me that, in fact, the documents have been looked for, and when they -- when there's a decision, we then figure out where we're going, then we'll go do the right thing.

THE COURT: Thanks.

MR. McMAHON: Judge, just a couple of small things. What struck me about Mr. Landa just now is that he is basing his entire argument on speculation, that there must be something else out there. There is absolutely no evidence of it out there. Even if there were, I don't think he could pierce the attorney client privilege for that for trial counsel.

So I -- I just -- I just want us all to keep in mind, when this very weighty issue is -- is resolved, that what we have over here is speculation, and what we have over here is -- is keeping to the bright lines, and doing things correctly, and separating trial counsel, you know, very consciously from -- from opinion counsel.

And then I just have to read one thing from Mr. -- I don't know why I'm even responding to this thing with Mr. Heller, but, I mean, just as an example of -- of what I was allowing the witness to do at the -- this is page sixty of Mr. Heller's deposition, line seven through sixteen.

Do you recall considering whether any Seagate technology would infringe any claim of any Convolve MIT patent? You would think I instructed him not to answer based on what you heard just now. I said I'll object to the form but I'm going to allow you to answer. Answer -- this is Mr. Heller -- I don't recall ever considering whether Seagate technology would ever infringe any claim of any Convolve patent.

I mean, so he -- exactly what the special master said is exactly what he got, and -- and all of what we're hearing now is just speculation. It's hyperbole. These are -- these are -- these are spider web-esque charts. It has nothing to do with allowing the monumental waiver that they're suggesting in this motion. Thank you, Your Honor.

THE COURT: Thank you all. It's been extremely helpful. I hope, but cannot promise, that I will get it resolved with dispatch. Thank you all.

MR. McMAHON: Thank you, Your Honor.

MR. LANDA: Thank you, Your Honor.

* * * * *

I, KRISTIN M. RUSIN, court approved transcriber, certify that the foregoing is ***as correct a transcript as possible, given the defective recording***, from the official electronic sound recording of the proceedings in the above-entitled matter.

Transcript is certified original only if signed in green ink.

_____ _____

EXHIBIT D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FRANCIS

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC.,

Defendants.

Index No. _____

COMPLAINT

Plaintiffs Convolve, Inc. ("Convolve" or the "Company") and the Massachusetts Institute of Technology ("MIT"), as and for their Complaint against defendants Compaq Computer Corp. ("Compaq") and Seagate Technology, Inc. ("Seagate"), herein allege upon personal knowledge as to themselves, and upon information and belief as to all other matters, as follows:

NATURE OF THE ACTION

1. In this action, plaintiffs seek to prevent the defendants, Compaq and Seagate, from stealing plaintiffs' proprietary computer disk drive technology -- technology that would permit the roughly 200 million disk drives sold each year in computers to operate more quickly and quietly than currently possible.

2. In particular, Convolve is the exclusive licensee from MIT of software motion control technology known as Input Shaping®. Input Shaping® technology is a method for commanding equipment to move as quickly as possible without excitation of vibrations. In other words, Input Shaping® permits machines to operate more quickly and quietly than currently possible by reducing the vibrations associated with machine movements, and thus,

reducing both the time required for the machine to perform required operations and the accompanying noise.

3. Between early 1997 and early 1998, Convolve developed a new application for its Input Shaping® technology for use in computer disk drives. All disk drives operate at a trade-off between speed and noise -- i.e., the quicker the disk drive operates, the louder the acoustics from the drive. Convolve developed its Input Shaping® technology to permit disk drives to operate both more quickly and more quietly than currently possible. In fact, Convolve demonstrated to the defendants that its technology will permit a computer (not just the disk drive) to operate up to 20% faster than currently possible without regard to acoustic concerns and up to 15% faster than at present even in "quiet" mode. In addition, Convolve also has developed an innovative computer control panel feature called "Quick and Quiet™" which allows the user of the disk drive to select between the fastest performance or the quietest performance of the disk drive depending on the needs of that particular user or type of user. In this case, the user may either be the Original Equipment Manufacturer ("OEM") that manufactures a personal computer, personal video recorder, or some other device that contains a disk drive, or the user may even be the consumer that ultimately purchases such a device from the OEM.

4. Moreover, upon information and belief, no other person or entity has achieved the results that Convolve has realized with its technology: No disk drive currently operates as quickly or as quietly as would be the case using Convolve's technology, nor is Convolve's "Quick/Quiet™" feature, permitting the end user to control the trade-off between speed and acoustics, presently available in any computer systems.

5. In or around October 1998, Convolve entered into discussions with Seagate and Compaq regarding defendants' possible interest in licensing Convolve's proprietary

technology. In advance of these discussions, and prior to disclosing any confidential information to either defendant, Convolve entered into separate confidentiality agreements with Compaq and Seagate. Pursuant to these agreements, neither Compaq nor Seagate is permitted to use or disclose Convolve's confidential information without Convolve's express written consent. Compaq and Seagate are permitted to use Convolve's technology solely to evaluate whether to enter into a licensing agreement with Convolve, and not for any other purpose.

6. Unbeknownst to Convolve, Compaq and Seagate never had any intention of honoring their contractual commitments under the confidentiality agreements or their legal obligation not to misappropriate Convolve's technology. Rather, from the outset, the defendants -- which concededly were unable to develop Convolve's technology on their own -- embarked on a campaign to obtain Convolve's technology and then pass it off as their own.

1. On June 7, 2000, Seagate issued a press release announcing its development and implementation of "sound barrier technology" ("SBT"). The SBT feature is substantially similar if not identical to Convolve's own "Quick and Quiet™" feature and, upon information and belief, utilizes Convolve's Input Shaping® technology. Seagate indicated that it plans to include this feature in all of its U Series 5 disk drives, which are scheduled for distribution in August 2000. Compaq solicited and encouraged Seagate to "develop" this technology by disclosing to Seagate the confidential information provided to it by Convolve pursuant to the nondisclosure agreements. Indeed, the Seagate press release contains a quote from Compaq that, not surprisingly, "Seagate drives with SBT acoustic controls will be incorporated into Compaq's upcoming commercial products."

1. In short, rather than concede an inability to develop technology such as Input Shaping® technology and the "Quick and Quiet™" feature on their own, the defendants simply misappropriated this technology in violation of their contractual commitments to

Convolve. Indeed, one of the Seagate engineers purportedly charged with the decision to evaluate Convolve's technology even admitted to Convolve that his "job" was to deliver the same results to Seagate as realized by Convolve's technology but without paying Convolve any royalties. Defendants achieved this result by misappropriating Convolve's technology.

9. Accordingly, plaintiffs bring this action to enforce the terms of the Compaq and Seagate confidentiality agreements and to enjoin the sale of computer disk drives or computer systems containing Seagate's "SBT" feature. Indeed, absent injunctive relief from this Court, Convolve will suffer grievous and irreparable harm -- i.e., it will, through defendants' wrongful conduct, be deprived of its primary source of future revenues (the ability to license for a fee the technology that defendants now plan to give away in their own products), thereby imperiling the viability of the Company itself and the livelihood of its employees.

THE PARTIES

10. Plaintiff Convolve is a New York corporation with its principal place of business in New York City. It is the exclusive licensee from MIT of the patented software motion control technology know as Input Shaping®. Convolve's business consists solely of marketing, applying and implementing Input Shaping® technology.

11. Plaintiff Massachusetts Institute of Technology, located in Cambridge, Massachusetts, is a non-profit Massachusetts corporation founded in 1861. MIT is universally regarded as one of the world's outstanding universities.

12. Defendant Compaq is a Delaware corporation with its principal place of business in Houston, Texas. Compaq is a leading manufacturer of computing systems, including personal desktop and laptop computers.

13. Defendant Seagate is a Delaware corporation with its principal place of business in Scotts Valley, California. Seagate manufactures computer disk drives and is Compaq's primary disk drive supplier.

VENUE AND JURISDICTION

14. This Court has jurisdiction over this dispute pursuant to 28 U.S.C. §§ 1332(a)(1) and 1338. The matter in controversy exceeds $75,000.

15. Venue is proper in this District pursuant to 28 U.S.C. 1391(a) because a substantial part of the events giving rise to plaintiffs' claims occurred in this District.

FACTUAL ALLEGATIONS

A. Convolve's Input Shaping® Technology And "Quick And Quiet™" Feature

16. Convolve was founded in 1989 by Neil Singer, Ph.D. ("Singer"). It is the exclusive licensee of Input Shaping®, a patented software motion control technology developed by Singer, Professor Warren Seering and Ken Pasch, Ph.D., approximately ten years ago while performing government-sponsored research at MIT. MIT owns, and Convolve is the exclusive licensee, of Input Shaping®.

17. Input Shaping® is a method of optimizing movement within a particular system or piece of equipment. Specifically, this technology is used to command systems to operate at faster speeds with decreased "seek" times (i.e., the time required for a particular component in a machine to perform an assigned function) while limiting the amount of vibrations in the system (i.e., the vibrations associated with the movement of the machine's components).

18. Convolve already has successfully extended Input Shaping® technology to many different specialty applications, such as the NASA Space Shuttle robot arm training

system, X-ray inspection machines, flat panel inspection machines, and cranes handling nuclear materials. Convolve also has licensed Input Shaping® technology to a number of entities, including Agilent Technologies, Polytech PI and Dover Instrument Corporation. In fact, since 1995, Seagate has licensed Input Shaping® for use on all of their disk head testing machines. As Seagate is well aware, its use of Input Shaping® technology on their disk head testers currently permits Seagate to considerably increase the performance of these machines and reduce the time required to "tune" each machine. Seagate also is aware that the plaintiffs' technology at issue here will, likewise, reduce the time required to bring a new drive to market by approximately one month per year by making the design process more efficient.

19. In early 1997 through early 1998, Convolve further developed its Input Shaping® technology to apply to computer disk drives. Specifically, Convolve utilized Input Shaping® technology to control the "arm" in a disk drive -- i.e., the part of the drive that executes commands by finding files, etc. -- to simultaneously reduce both the seek time and the unwanted clicking noise accompanying the movement of the arm (called acoustics). More specifically, in a computer disk drive there are three types of vibrations generated by the machine: (1) vibrations affecting seek times; (2) vibrations generating acoustic noise; and (3) vibrations which do both. Convolve's Input Shaping® technology enables the design engineer to measure the various vibrations generated by a disk drive, and using Convolve's software, to create a table of numbers which are downloaded to the disk drive controller. The disk drive controller then uses those numbers to reduce the various vibrations generated by the disk drive while still permitting the drive to move as fast as possible.

20. Convolve's computer disk drive technology also includes an innovative control panel feature called "Quick and Quiet™" which permits an end user to customize the disk drive's speed and acoustics. For example, for certain applications where acoustics is not a

concern, an end user is able to set the disk drive to run very fast (i.e., to have very low seek time) without concern for acoustics. However, for other applications (i.e., home use), the same end user may set the system to operate at a slightly slower speed in return for reduced acoustics or noise. Using Convolve's Input Shaping® and "Quick and Quiet™" technology, even the "slow" mode is considerably faster (and considerably quieter) than other currently available disk drive technology.

21. Convolve has incurred significant expenses in developing and testing this technology. Indeed, during the Spring and Summer of 1998, Convolve conducted in-house testing of its new disk drive software by: (1) setting up a full disk drive hardware model; (2) hiring numerous consultants; (3) purchasing necessary testing equipment; and (4) implementing the new technology on a physical hard drive. Convolve's costs in connection with these development efforts alone have exceeded $600,000.

22. Convolve and MIT have issued patents (numbers 4,916,635 and 5,638,267, respectively), and Convolve has filed patent applications, in connection with the foregoing technology. These applications currently are pending with the United States Patent and Trademark Office and with the World Intellectual Property Organization, a United Nations agency based in Geneva, Switzerland that is responsible for promoting the protection of intellectual property rights throughout the world.

B. Convolve Approaches Compaq And Enters Into Confidentiality Agreements

23. In early 1998, Convolve approached Compaq with the idea for its disk drive technology. Singer phoned Compaq's then-head of its Storage Products group, Ralph Perry, and in general terms explained the potential use of Convolve's technology in computer disk drives. Over the next several months, in both telephonic conversations and face-to-face meetings at Compaq's Houston headquarters, Convolve and Compaq had additional, general

discussions regarding the potential application of Convolve's technology. Throughout these discussions, Perry and others at Compaq expressed interest in incorporating Convolve's technology into Compaq's products. However, because Compaq itself does not manufacture disk drives, it invited one of its primary drive suppliers, Seagate, for further discussions with Convolve. A meeting was arranged for October 16, 1998 among representatives of these three companies.

24. However, prior to the October 16, 1998 meeting and before disclosing its technology to Compaq or Seagate, Convolve entered into a nondisclosure agreement ("NDA") with each company. Each of these agreements clearly and unambiguously defines Compaq and Seagate's obligations not to use Convolve's technology for any purpose other than exploring a potential transaction with Convolve, and to maintain Convolve's technology in a confidential manner. Indeed, in an October 12, 1998 e-mail from Compaq to Convolve and Seagate attaching a draft NDA, Compaq acknowledged that the "purpose of this NDA is specifically limited to evaluating/discussing the licensing of Convolve's product."

25. As explained below, however, Compaq and Seagate simply disregarded their obligations under these agreements. Instead, either at the time defendants executed the NDAs or shortly thereafter, they decided to and in fact did breach their clearly defined contractual commitments by, among other things, using Convolve's technology not in connection with a possible Convolve agreement, but for their own economic benefit.

26. The Compaq Confidentiality and Nondisclosure Agreement, dated October 16, 1998 (the "Compaq NDA," attached as Exhibit A hereto) expressly provides that Convolve's confidential information "shall be used [by Compaq] solely for the purpose of evaluating and discussing a possible licensing agreement between CONVOLVE and COMPAQ." See Ex. A, Clause 2 (the Compaq NDA). Compaq also agreed that it "w[ould] not

(and w[ould] not cause or solicit any third party to) use Information of CONVOLVE to reverse engineer, further develop, improve upon or design-around CONVOLVE'S intellectual property rights." See id., Clause 10. Moreover, Compaq expressly acknowledged that Convolve's confidential information "is claimed to be a valuable, special and unique asset," which Compaq agreed to protect for four years from the date of Convolve's disclosure. Id.

27. Accordingly, Compaq agreed that it would: (i) maintain Convolve's information in confidence; (ii) not use Convolve's information except for purposes of evaluating a possible license agreement with Convolve; and (iii) not disclose any confidential information to a third party -- such as Seagate -- without Convolve's express written consent, even when that third party had a similar duty of nondisclosure, except for purposes of exploring a possible license agreement with Convolve. Id., Clause 3.

28. Similarly, the Seagate Reciprocal Nondisclosure Agreement, dated October 14, 1998 (the "Seagate NDA," attached hereto as Exhibit B) expressly provides that Seagate "shall make use of [Convolve's] Confidential Information only for . . . [e]valuation and testing" in connection with exploring a possible licensing agreement with Convolve. See Ex. B, Clause 3 (the Seagate NDA). In addition, Seagate (like Compaq) agreed that it would not disclose to any other person (including Compaq) or otherwise make use of Convolve's confidential information without the prior written consent of Convolve and only for purposes of exploring a licensing agreement with Convolve. See id.

29. In short, Compaq and Seagate had the right under the Compaq and Seagate NDAs to use Convolve's information for one purpose and one purpose only: to evaluate a potential licensing arrangement with Convolve. As detailed below, defendants -- either at the time they executed the NDAs or soon thereafter -- decided to disregard these contractual obligations. Indeed, within a few months of signing these agreements, defendants, in violation of

the NDAs, used confidential information received from Convolve to "develop" (i.e., steal and pass off as their own) the very Convolve technology that was protected by the NDAs.

C. **Convolve Discloses Its Input Shaping® Technology To Compaq and Seagate**

30. On October 16, 1998, Convolve representatives met with Compaq and Seagate representatives at Compaq's facilities in Houston. Having executed a nondisclosure agreement with each company, and relying on the protections afforded by these agreements, Convolve gave a presentation regarding its Input Shaping® technology and the application of this technology to computer disk drives. Convolve also gave a fully functional hardware demonstration of the speed and acoustic benefits of Input Shaping®. Convolve did not disclose its "Quick and Quiet™" feature at this meeting. While the Compaq representatives at the meeting expressed significant interest in Convolve's technology, Compaq stated its preference that Convolve work with Seagate to implement Convolve's technology on a Seagate disk drive.

31. Seagate, however, clearly had no intention of working cooperatively with Convolve, or of respecting its obligations under the NDA. In this regard, for six years up to and including the October 16 meeting, Seagate had been attempting to develop the very same technology that Convolve had presented at the meeting. Unlike Convolve, however, Seagate had not been successful in enhancing disk drive speed without sacrificing acoustics. Rather than disclose these failed efforts to Convolve, a Seagate engineer at the meeting, John Morris, claimed that Seagate drives already operated at near optimum levels in terms of speed and acoustics, and that there was no room for measurable improvement. Convolve later demonstrated to Seagate and Compaq that this claim was patently false. Upon information and belief, Seagate did not disclose its efforts to develop a competing technology because these efforts had been fruitless in terms of enhancing disk drive performance, and Seagate did not want to lose face in front of its major customer.

32. Confronted with Seagate's "skepticism" at the October 16 meeting, Convolve challenged Seagate's claims that the performance of Seagate's disk drives could not be enhanced by Convolve's technology. Convolve requested permission to install Input Shaping® technology on a Seagate drive in order to demonstrate the effectiveness of this technology. Seagate, at Compaq's insistence, agreed.

33. In compliance with the Compaq and Seagate NDAs, Singer sent a follow-up letter on October 19, 1998 to Shaw Dempster at Seagate stating that Convolve "considers the oral disclosure of implementation details, techniques, approaches, and test results presented to Compaq and Seagate and the discussions that followed in [the] meeting to be confidential and covered by the Confidentiality and Nondisclosure Agreement dated 10/16/98." Singer also noted in this letter that any responses to Seagate's inquiries during the October 16 meeting are also considered confidential.

D. Convolve Discloses Its "Quick and Quiet™" Technology To Compaq

34. Shortly after the October 16 meeting, Convolve decided to market the "Quick and Quiet™" control panel feature along with its new computer disk drive technology.

35. Between November 9 and November 12, 1998 Convolve disclosed information about the "Quick and Quiet™" control panel feature to Compaq. This disclosure was followed by a letter dated November 19, 1998, in which Convolve informed Compaq that the information regarding the "Quick and Quiet™" feature was confidential. Compaq representatives assured Convolve through both telephone conversations and e-mail that measures would be taken to ensure the confidentiality of all information concerning the "Quick and Quiet™" feature.

36. At that time, Compaq expressed an interest in Convolve's computer disk drive technology including its "Quick and Quiet™" control panel feature and again encouraged

Convolve to work with Seagate to implement the new technology along with the Input Shaping® technology discussed at the October 16 meeting.

37. A February 23, 1999 e-mail from Richard Murphy, a senior Compaq engineer charged with evaluating new technology, confirms the wide disclosure of Convolve's "Quick and Quiet™" feature under the NDAs throughout Compaq. In that e-mail, which was distributed to other Compaq personnel regarding Convolve's technology, Murphy stressed the "Quick and Quiet™" feature: "Please keep in mind that the technology implementation envisioned allows the user to tailor the trade off between acoustic noise reduction and settling time performance of the drive."

38. Upon information and belief, Compaq at this time or shortly thereafter disclosed to Seagate in violation of the Compaq NDA the information it had learned from Convolve about its "Quick and Quiet™" feature. In this regard, in June 2000, after Seagate issued its press release announcing "SBT", Convolve contacted Richard Murphy of Compaq regarding Seagate's use of Convolve's technology. Murphy told Convolve that he became aware of, and even contacted Compaq's legal department in January 2000, regarding Compaq's improper disclosure of information regarding "Quick and Quiet™" to Seagate and Seagate's theft of Convolve's confidential information. In January 2000, Murphy attended a meeting with in-house Compaq counsel concerning this issue.

39. Although David White, a Compaq engineer who attended the January 2000 meeting, apparently claimed that he independently developed the "Quick and Quiet™" feature on his own and asked Seagate to implement it, his claim is belied by the facts that neither Murphy, Perry, Ken Bush (Perry's replacement and White's boss), nor the many other Convolve contacts at Compaq, ever expressed any awareness of White's development of something akin to

Convolve's "Quick and Quiet™" feature, and White is a recipient of Murphy's February 1999 e-mail describing Convolve's "Quick and Quiet™" feature.

40. In short, by no later than February 1999, defendants had determined to use Convolve's Input Shaping® technology and its "Quick and Quiet™" feature in connection with Seagate's "development" of a competing product -- in clear violation of the NDAs -- and neither defendant ever intended to use Convolve's information for the one purpose permitted by the NDA, i.e., to explore a licensing agreement with Convolve.

E. Convolve Conclusively Demonstrates The Benefits And Effectiveness Of Its Input Shaping® Technology To Compaq And Seagate

41. Having expressed interest in Convolve's technology, the next step in defendants' "evaluation" process required that Convolve demonstrate that its technology functioned as claimed on a disk drive, including a Seagate drive. While Convolve believed that the purpose of the demonstration was to permit defendants to assess whether to license Convolve's technology, defendants by this time never had any intention to enter into an agreement with Convolve. Instead, Seagate, with Compaq's encouragement and assistance, was determined to misappropriate this information for use in Seagate's "competing" technology. Brent Douglas, one of the Seagate engineers involved in the "evaluation" of Convolve's technology, even subsequently conceded to Convolve that his "job" was to find a way around Convolve's patents -- i.e., to deliver to Seagate the results realized by Convolve without paying Convolve any royalties.

42. On February 11, 1999, two Seagate engineers traveled to New York for a demonstration of Convolve's technology, albeit not on a Seagate disk drive. The demonstration was successful: As set forth in Richard Murphy's February 23 e-mail, "Convolve's Input Shaping Technology has been successfully concluded with a closed loop demonstration for

Seagate's Brent Douglas and his servo engineer, Lee McKenzie, at Convolve's New York location." Murphy added:

> For those interested in the acoustic benefits of the technology, we have one result for a noisy Maxtor drive obtained in Compaq's anechoic chamber. The substantial reduction of seek noise that was obtained in this instance is expected to be observed with current (quieter) drives as a similar ~90% reduction of the seek noise increment above idle. If we wish to obtain quantitative verification of this expectation for the [Seagate] drive, Compaq will have to provide expense monies for Convolve to allow [Convolve representatives] to travel to Houston with the necessary equipment. . . . Since both Seagate and Compaq have methods of educing drive noise that have been quantified here, I would recommend that we find the expense money to get the quantitative data for Convolve's methodology, which is expected to offer substantial cost advantage to Compaq over all platforms (eventually).

43. Following the February 11 demonstration, Seagate provided Convolve with the software and hardware that would enable Convolve to install its technology on the Seagate drive. On April 6, 1998, Convolve representatives traveled to a Seagate facility in Oklahoma to demonstrate Convolve's technology on a Seagate drive.

44. Seagate, however, was unprepared for the demonstration because Seagate's equipment was incompatible with Convolve's disk drive technology. Ken Pasch, a Convolve representative attending the meetings, instructed Seagate regarding the necessary alterations to enable Seagate software and drives to run Convolve's technology. Once the adjustments were made to Seagate's equipment (using Pasch's alterations to Seagate's software), Convolve successfully demonstrated its computer disk drive technology on the Seagate drive.

45. In fact, over the next two days, Convolve performed many "seeks" in varying distances, up to a 600 track seek, on a Seagate drive, resulting in significantly enhanced speed and acoustics. As set forth in a June 16, 1999 e-mail, Seagate even conceded that,

conservatively, Convolve's technology reduced seek noise by as much as 90% or more with no reduction in drive performance, and that overall computer speed (as opposed to just the disk drive speed) was increased up to 15% while still reducing acoustic noise.

46. Unbeknownst to Convolve, however, Seagate sent several engineers to the April meetings that were attempting, unsuccessfully, to develop the very technology that Convolve was then successfully demonstrating to Seagate. Indeed, Seagate had for the past six years been attempting to develop a noise reduction/speed enhancement technology for use in computer disk drives using "feedback" technology. Although Convolve did not know it at the time, the Seagate engineer in charge of this effort, Evert Cooper, as well as other Seagate engineers involved in the project (including Yi-Ping Hsin), were among the Seagate representatives at the April meetings.

47. Shortly after the April meetings, Cooper suddenly adopted a new approach to his internal Seagate project, abandoning a mixed "feedforward/feedback" approach in voltage in favor of Convolve's current-based "command generation" techniques. Only after Cooper essentially copied Convolve's methodology was he, after six years of failed attempts, able to achieve results similar to those achieved by Convolve. He did so, however, only after having had access at the April meetings to Convolve's successful results (i.e., Convolve demonstrated that the claimed results in fact could be realized), technical approach and data. Moreover, as confirmed by Seagate's Brent Douglas and Lee McKenzie, Cooper was able to test his "new" approach only by using firmware developed using Pasch's alterations to Seagate's software.

48. Cooper, Hsin and the other "competing" Seagate engineers served no legitimate purpose at the April meetings because they were charged not with the decision to license Convolve's technology, but rather to develop a substantially similar, competing technology for Seagate. Moreover, these Seagate representatives plainly used their time at the

April meetings for the very purpose prohibited by the NDAs: Cooper and the others asked detailed questions of Convolve at the meeting and generally probed into each and every facet of the functioning of Convolve's technology in order to steal that technology, not to evaluate a potential deal with Convolve.

49. In short, after six unsuccessful years, Cooper's sudden "success" shortly after having had access to Convolve's proprietary technology is no coincidence: it is, plain and simple, misappropriation of Convolve's trade secrets and proprietary technology in violation of the Seagate NDA.

F. Having Had Access to Convolve's Technology, Compaq And Seagate Then Simply Steal It And Attempt To Pass It Off As Their Own

50. Between April and August 1999, Seagate dragged its feet regarding a decision to license Convolve's technology. Indeed, on June 7, 1999, Convolve sent a licensing proposal to Seagate highlighting the benefits of Input Shaping® technology, including the "Quick and Quiet™" feature. In response, Seagate indicated for the first time that while it might want to license Convolve's technology, it first wanted to evaluate the work of its own engineers. Prior to this time, and from the outset of negotiations, Seagate had represented that it would license Convolve's technology if it worked as predicted. Seagate even offered the name of its attorney, Ned Heller, who would negotiate such an agreement.

51. All these representations were false. In truth, even though Convolve's technology performed better than predicted at the outset of the parties' discussions, Seagate had absolutely no intention of licensing Convolve's technology. Instead, Seagate was using Convolve's proprietary Input Shaping® technology -- as well as information regarding Convolve's "Quick and Quiet™" feature improperly disclosed by Compaq in violation of the Compaq NDA -- to "develop" its own competing technology, in clear violation of the Compaq

and Seagate NDAs. Indeed, in this six-month period, Convolve repeatedly and openly discussed all aspects of its technology with Seagate engineers -- all in the belief that defendants required such information in order to make a decision regarding licensing -- when in fact defendants planned to use this information to successfully misappropriate Convolve's technology for use in Seagate drives.

52. Moreover, as noted above, without Convolve's assistance, Seagate engineers had been unable to successfully operate Convolve's technology on Seagate drives during the April 1999 meetings. Convolve conceived of the appropriate alterations to Seagate software to enable Seagate drives to run Convolve's technology. Convolve learned later that Seagate, again in violation of the Seagate NDA, was using information disclosed by Convolve (i.e., the technology required to run and test the effectiveness of Convolve's proprietary technology) to test the effectiveness of the competing Seagate technology (which itself was based on misappropriated Convolve technology).

53. In or about August 1999 -- i.e., within weeks of the time when Cooper, having misappropriated MIT and Convolve's technology, finally was able to successfully demonstrate his "competing" (albeit stolen) technology -- Seagate informed Convolve that it was not interested in licensing Convolve's Input Shaping® technology. Seagate never disclosed, of course, that it no longer had the need to pay Convolve for its technology because Seagate had misappropriated Convolve's technology, and the ability to run and test that technology on Seagate drives, and intended to pass that technology off as its own.

G. Seagate's "Sound Barrier Technology"

54. On June 7, 2000, Seagate issued a press release announcing a new disk drive technology, which it has named "sound barrier technology" ("SBT"). A copy of Seagate's June 7, 2000 press release (the "Seagate Press Release," attached hereto as Exhibit C).

55. The Seagate Press Release confirms that Seagate used the confidential information that Convolve disclosed to Seagate pursuant to the Seagate NDA to develop a technology that is identical to Convolve's Input Shaping® technology and its accompanying "Quick and Quiet™" control panel feature. Specifically, the Seagate Press Release describes the new SBT feature as

> includ[ing] a silent seek mode that can be configured during manufacturing or by the end user. Now the PC or other host can tell a disk drive to perform in quiet mode for home entertainment applications, or to deliver faster seeks for business applications where data must be gathered quickly from various sectors on the disk drive.

56. The Seagate Press Release also confirms that Seagate developed its SBT feature in cooperation with or at the request of Compaq. Specifically, the Seagate Press Release contains the following quote from a Compaq Director, Keith LeFebvre:

> Compaq welcomes Seagate's "sound barrier technology" support for AAM and silent seeks . . . Seagate drives with SBT acoustic control will be incorporated into Compaq's upcoming commercial products.

57. On June 9, 2000, Convolve contacted Compaq regarding the Seagate Press Release. A senior Compaq engineer confirmed that in early 1999 Compaq had solicited Seagate to supply them with the new disk drive technology and Compaq's engineers had been working with Seagate to develop and implement the new SBT feature.

58. Seagate's U Series 5 disk drive equipped with the SBT feature will ship in capacity in August of 2000.

FIRST CLAIM FOR RELIEF

INJUNCTIVE RELIEF

(Against Compaq and Seagate)

59. Absent injunctive relief from this Court, plaintiffs will suffer grievous and irreparable harm. First, Convolve's main source of revenues is its ability to license the very technology that defendants have misappropriated. Moreover, defendants intend to distribute this technology free of charge -- i.e., it simply will be included in Seagate and Compaq products. Obviously, Convolve cannot compete in an arena where it must charge a licensing fee whereas defendants simply give away a competing product. Without exclusive ownership of its Input Shaping® technology and "Quick and Quiet™" feature, Convolve will lose the ability to derive meaningful licensing revenues from these products and ultimately the ability to remain a viable business concern.

60. Second, Seagate made a public proposal (which subsequently was adopted) for an open industry standard regarding acoustic management in disk drives to "T13," a technical committee for the National Committee on Information Technology Standards that is responsible for the interface between computers and disk drives. Seagate has proposed that T13 create a standard series of commands from the computer to the disk drive controlling the trade-off between disk drive speed and noise. This proposed standard, in effect, would duplicate the function served by Convolve's "Quick and Quiet™" technology, thereby precluding Convolve form licensing this technology to OEMs or drive manufacturers for a fee. Again, by depriving Convolve of the ability to obtain meaningful licensing revenues from its "Quick and Quiet™" technology, defendants' wrongful conduct threatens Convolve's financial well-being and the livelihood of its employees.

61. Third, based on its press releases, Seagate is claiming that its technology performs the same functions as Convolve's proprietary technology. However, upon information and belief, plaintiffs' technology is superior to that of Seagate, notwithstanding that Seagate has misappropriated Convolve's technology in "developing" SBT. The threat of confusion in the marketplace -- i.e., that the computer industry will perceive that the two products are identical, when in fact Seagate's is inferior -- threatens irreparable harm to the reputation of plaintiffs' technology.

62. Fourth, misappropriation of trade secrets is per se irreparable harm. Here, Compaq even recognized as much: in an October 8, 1999 e-mail to Convolve, Compaq represented that it "understands [that] Convolve's technology is [its] most valuable asset, and we want to assure you that we have processes in place to protect our confidential information as well as that of our partners and suppliers." Injunctive relief is appropriate and required to prevent defendants' misappropriation of plaintiffs' technology.

63. Plaintiffs have no adequate remedy at law.

SECOND CLAIM FOR RELIEF

BREACH OF CONTRACT

(Against Compaq)

64. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

65. The Compaq NDA is a valid and enforceable agreement between Compaq and Convolve.

66. Pursuant to the terms of the Compaq NDA, and in reliance on the protections afforded therein, Convolve disclosed confidential information to Compaq regarding Input Shaping® technology and the "Quick and Quiet™" feature.

67. By disclosing such confidential information to Seagate and by using such confidential information to cooperate with Seagate in the development and implementation of the SBT feature, Compaq has materially breached the Compaq NDA.

68. As a result of Compaq's breach of its obligations under the Compaq NDA, Compaq is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

THIRD CLAIM FOR RELIEF

BREACH OF CONTRACT

(Against Seagate)

69. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

70. The Seagate NDA is a valid and enforceable agreement between Seagate and Convolve.

71. Pursuant to the terms of the Seagate NDA, and in reliance on the protections afforded therein, Convolve disclosed confidential information to Seagate regarding Input Shaping® technology and the "Quick and Quiet™" feature.

72. By using such confidential information to develop and implement the SBT feature, Seagate has materially breached the Seagate NDA.

73. As a result of Seagate's breach of its obligations under the Seagate NDA, Seagate is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

FOURTH CLAIM FOR RELIEF

TORTIOUS INTERFERENCE WITH CONTRACT

(Against Compaq)

74. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

75. The Seagate NDA is a valid and enforceable agreement between Seagate and Convolve.

76. Compaq had express knowledge of the Seagate NDA between Convolve and Seagate.

77. By (1) soliciting Seagate to develop technology similar to Convolve's Input Shaping® technology and the "Quick and Quiet™" feature; (2) encouraging Seagate to obtain and utilize confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature; and (3) cooperating with Seagate to develop and implement the SBT feature based on information misappropriated from Convolve, Compaq willfully and intentionally induced Seagate to breach the Seagate NDA.

78. As a result of Compaq's willful and intentional inducement of Seagate to breach the Seagate NDA, Compaq is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

FIFTH CLAIM FOR RELIEF

TORTIOUS INTERFERENCE WITH CONTRACT

(Against Seagate)

79. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

80. Seagate had express knowledge of the Compaq NDA between Convolve and Compaq.

81. By (1) encouraging Compaq to disclose confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature and (2) cooperating with Compaq to develop and implement the SBT feature based on information misappropriated from Convolve, Seagate willfully and intentionally induced Compaq to breach the Compaq NDA.

82. As a result of Seagate's willful and intentional inducement of Compaq to breach the Compaq NDA, Seagate is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

SIXTH CLAIM FOR RELIEF

FRAUD

(Against Compaq)

83. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

84. Compaq willfully, intentionally and maliciously induced Convolve to disclose confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature by representing that it (1) intended to evaluate the technology in order to assess the possibility of a licensing agreement with Convolve and (2) would maintain the confidentiality of the information.

85. Convolve disclosed confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature in exclusive reliance on Compaq's representations.

86. At the time it made these representations, Compaq knew they were materially false. Instead of evaluating the Input Shaping® technology and the "Quick and Quiet™" feature for purposes of a potential licensing agreement with Convolve, Compaq utilized the confidential information provided by Convolve to cooperate with Seagate in developing and implementing the SBT feature.

87. As a result of Compaq's fraudulent misrepresentations, Compaq is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

SEVENTH CLAIM FOR RELIEF

FRAUD

(Against Seagate)

88. Convolve repeats and realleges the allegations set forth above in paragraphs 1 - 58.

89. Seagate willfully, intentionally and maliciously induced Convolve to disclose confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature by representing that it (1) intended to evaluate the technology in order to assess the possibility of a licensing agreement with Convolve and (2) would maintain the confidentiality of the information.

90. Convolve disclosed confidential information regarding the Input Shaping® technology and the "Quick and Quiet™" feature in exclusive reliance on Seagate's representations.

91. At the time it made these representations, Seagate knew they were materially false. Instead of evaluating the Input Shaping® technology and the "Quick and Quiet™" feature for purposes of a potential licensing agreement with Convolve, Seagate utilized the confidential information provided by Convolve to develop and implement the SBT feature.

92. As a result of Seagate's fraudulent misrepresentations, Seagate is liable to Convolve in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

EIGHTH CLAIM FOR RELIEF

MISAPPROPRIATION OF TRADE SECRETS

(Against Compaq)

93. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 58.

94. Plaintiffs' technology, including Convolve's Input Shaping® technology and the "Quick and Quiet™" feature, are trade secrets possessed and protected by plaintiffs.

95. Compaq acquired plaintiffs' trade secrets under an express contractual duty to maintain the confidentiality of those secrets.

96. Compaq misappropriated plaintiffs' trade secrets by (1) disclosing plaintiffs' confidential trade secret information to Seagate and (2) using plaintiffs' confidential trade secret information to cooperate with Seagate in the development and implementation of the SBT feature.

97. Plaintiffs did not authorize such disclosure or use of their trade secret information.

98. As a result of Compaq's misappropriation of plaintiffs' trade secrets, Compaq is liable to plaintiffs in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

NINTH CLAIM FOR RELIEF

MISAPPROPRIATION OF TRADE SECRETS

(Against Seagate)

99. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 58.

100. Plaintiffs' technology, including Input Shaping® technology and "Quick and Quiet™" innovations, are trade secrets possessed and protected by plaintiffs.

101. Seagate acquired plaintiffs' trade secrets under an express contractual duty to maintain the confidentiality of those secrets.

102. Seagate misappropriated plaintiffs' trade secrets by using plaintiffs' confidential trade secret information to develop and implement the SBT feature.

103. Plaintiffs did not authorize such disclosure or use of their trade secret information.

104. As a result of Seagate's misappropriation of plaintiffs' trade secrets, Seagate is liable to plaintiffs in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

TENTH CLAIM FOR RELIEF

PATENT INFRINGEMENT

(Against Seagate and Compaq)

105. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 58.

106. MIT owns patent number 4,916,635, and Convolve owns patent number 5,638,267 (the "Patents"). These patents were issued on April 10, 1990 and June 10, 1997, respectively, and remain in effect.

107. At all relevant times, defendants were aware that the Patents cover and protect a portion of the Input Shaping® technology disclosed by Convolve to defendants pursuant to the Compaq and Seagate NDAs.

108. Defendants knowingly infringed the Patents by using the patented portion of plaintiffs' Input Shaping® technology to develop a competing product and/or incorporating this technology in Seagate's "SBT" feature, which is scheduled to be included in Seagate disk drives as early as August 2000.

109. Defendants had no authority to use plaintiffs' patented technology other than in connection with a potential licensing agreement with Convolve, and certainly not with respect to "developing" the competing "SBT" feature.

110. As a result of defendants' knowing and wrongful infringement of plaintiffs' Patents, defendants are jointly and severally liable to plaintiffs in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray for relief and judgment against defendants as follows:

(1) A preliminary and permanent injunction barring Seagate from manufacturing or selling disk drives incorporating its SBT feature;

(2) A preliminary and permanent injunction barring Compaq from manufacturing or selling computers incorporating Seagate's SBT feature;

(3) A preliminary and permanent injunction barring Seagate and Compaq from utilizing advertising, marketing, promotional or instructional materials, in print, electronic or any other media or format, that contain any reference to or information concerning the SBT feature;

(4) A preliminary and permanent injunction requiring Seagate to withdraw its proposal to T13 concerning acoustic management in disk drives and to take any and all necessary actions to prevent T13 from developing an open industry standard regarding acoustic management;

(5) Compensatory damages in an amount to be determined at trial, but in no event less than $800 million;

(6) Punitive damages in an amount to be determined at trial;

(7) Such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury on all issues so triable.

Dated: New York, New York
July 13, 2000

CADWALADER, WICKERSHAM & TAFT

By: _____
Dennis J. Block (DB-0432)
Jason M. Halper (JH-8310)

100 Maiden Lane
New York, New York 10038
Telephone: (212) 504-6000
Telecopier: (212) 504-6666

Attorneys for Plaintiffs
Convolve, Inc. and Massachusetts
Institute of Technology

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

1. **THIS AGREEMENT** is effective as of October 16, 1998 ("Effective Date"), and is made by and between Compaq Computer Corporation and any of its subsidiaries ("COMPAQ"), a Delaware, U.S.A. corporation, and Convolve, Inc. ("CONVOLVE") a New York, U.S.A corporation.

2. The parties have related business interests and it is contemplated that the parties may be disclosing certain confidential and/or proprietary information to the other party regarding results owned by CONVOLVE from a testing, verification and demonstration program, in the field of data storage on hard disk drives, of software motion control technology known as Input Shaping™ also owned by CONVOLVE. The parties agree that the terms of this Agreement shall apply to any confidential and/or proprietary information that may be disclosed between the Effective Date and October 15, 2000 and that such Information shall be used solely for the purpose of evaluating and discussing a possible licensing arrangement between CONVOLVE and COMPAQ ("Purpose").

3. The parties acknowledge that the above-described confidential and/or proprietary information ("Information") is claimed to be a valuable, special, and unique asset of the party disclosing such Information ("Disclosing Party"). Accordingly, COMPAQ and CONVOLVE agree that, for a period of four (4) years from the date any such Information is disclosed, the party or parties receiving such Information ("Receiving Party") will:

   (a) maintain the Disclosing Party's Information in confidence;
   (b) not use any such Information received from the Disclosing Party except for the above-stated Purpose;
   (c) disclose such Information received from the Disclosing Party only to its employees and subcontractors that have a need to know such Information in order to fulfill the Purpose; and
   (d) not disclose any portion of the Information received from the Disclosing Party to any party not a signatory of this Agreement, without the prior written consent of the Disclosing Party, even if such third party is under similar restriction on disclosure with the Disclosing Party.

4. Each party agrees to use the same degree of care to protect the confidentiality of all Information it receives as it uses to protect its own confidential and proprietary information which it does not wish to have published or disseminated. However, in no event shall the parties use less than a reasonable degree of care to protect the Information received from the Disclosing Party. Each party further agrees that without written consent from the other party, it will not electronically record any conversation or meeting with the other party's personnel or photograph any facility or premises of the other party.

5. Information disclosed by the Disclosing Party that such Disclosing Party, in good faith, regards as confidential and/or proprietary shall be clearly marked as "Confidential," "Proprietary," or bear any other appropriate notice indicating the sensitive nature of such Information. Any Information not easily marked, including Information which may be orally disclosed, shall, within thirty (30) days of its disclosure, be summarized in writing and designated confidential by the Disclosing Party.

6. Information shall not be afforded the protection of this Agreement if such Information:

   (a) has been, is now, or later becomes publicly available through no fault of the Receiving Party;
   (b) has been, is now, or later becomes rightfully learned by the Receiving Party from a third party who is not under restriction or duty imposed by the Disclosing Party or any other third party;
   (c) was known to the Receiving Party prior to the date it received such Information from the Disclosing Party, and can be proven by written records; or,

(d) has been, is now, or later is independently developed by the Receiving Party without use of or resort to such Information, and can be so proven by written records.

7. If only a portion of the Information falls under one of the above Subsections 6(a) - 6(e), then only that portion shall be excluded from the terms and conditions of this Agreement.

8. If the Receiving Party is confronted with legal action to disclose Information received under this Agreement, the Receiving Party shall promptly notify the Disclosing Party, and reasonably assist the Disclosing Party in obtaining a protective order requiring that any portion of the Information required to be disclosed be used only for the purpose for which a court issues an order, or for such other purposes as required by law.

9. All Information disclosed under this Agreement shall remain the property of the Disclosing Party. At the Disclosing Party's request, all Information received by the Receiving Party in tangible form shall be promptly returned or destroyed.

10. Without limiting any other provision of this Agreement, COMPAQ will not (and will not cause or solicit any third party to) use Information of CONVOLVE to reverse engineer, further develop, improve upon or design-around CONVOLVE's intellectual property rights, and COMPAQ will not seek intellectual property rights of any kind (including without limitation patent or copyright protection) involving Information of CONVOLVE or derivations or improvements thereof.

11. The obligations under this Agreement shall not be construed to limit the Receiving Party's right to independently develop or acquire products unrelated to the Information of the Disclosing Party, as long as such development or acquisition is not in violation of this Agreement. This Agreement shall not be deemed to grant to any of the parties a license under any of the other parties' copyrights, patents or other intellectual property rights.

12. All notices required to be given shall be considered as given upon certified or registered mailing, if postpaid and addressed as follows (unless the addresses have been changed by written notice):

Compaq Computer Corporation
Attention: Legal Department
P. O. Box 692000
MC110701
Houston, TX 77269-2000
Phone: 281-514-1336 Fax:281-518-8517

Convolve, Inc.
Attention: Neil Singer
132 Nassau Street, suite 400
NY, NY 10038
Phone: 212-267-6775 Fax: 212-349-2425

13. This Agreement shall be interpreted in accordance with the laws of the State of Texas.

14. The parties agree to adhere to all applicable Export Laws and Regulations of the United States and that absent any required prior authorization from the office of Export Licensing, U.S. Department of Commerce, they will not knowingly export or re-export (as defined in Part 779 of the Export Administration Regulations), directly or indirectly, through their affiliates, licensees, or subsidiaries, any of the Information (or any product, process, or service resulting directly therefrom) they receive under this or any ancillary agreements, to Country Groups D1, E1, E2, or Iran, Syria, Sudan or any other country hereafter restricted by the U.S. law or governmental order. The parties agree that in no event shall Information be exported unless strictly necessary to fulfill the purposes of this Agreement.

15. This Agreement embodies the entire understanding between the parties pertaining to the subject matter hereof. The parties acknowledge that they are not relying on any representation, promise, or other statement, whether written or oral, that is not expressly contained in this Agreement. No party shall be obliged by this Agreement to purchase the goods and/or services of any other party. This Agreement shall not be modified except by a writing duly executed by, or on behalf of, the party against whom such modification is sought to be enforced.

16. IN WITNESS WHEREOF, the persons signing below warrant that they are duly authorized to sign for, and on behalf of, the respective parties. This Agreement has been executed in triplicate originals.

COMPAQ COMPUTER CORPORATION	CONVOLVE, INC.
By: Mark Heerema	By:
Name: Mark Heerema	Print Name: NOEL SINGER
Title: Dir Engr Data Products	Print Title: PRESIDENT
Date: 10/16/98	Date: 10/16/98

PLEASE RETURN ONE FULLY-SIGNED ORIGINAL OF THIS AGREEMENT TO
COMPAQ COMPUTER CORPORATION
ATTENTION: CONTRACT RELATIONS, P. O. BOX 692000, MC 100203, HOUSTON, TX 77269-2000

Seagate

No. 3507.10.98

SEAGATE TECHNOLOGY, INC.
RECIPROCAL NONDISCLOSURE AGREEMENT

In order to protect certain confidential and proprietary information (Confidential Information,) Seagate Technology, Inc. ("Seagate") and the "Company" identified below, agree that:

1. Effective Date: The effective date of this agreement shall be October 14, 1998.

2. Description of Confidential Information: The Confidential Information under this Agreement is described as:
Seagate: Business and technical information related to servo systems for disc drives, including; present and future product plans, specifications and drawings.
Company: Feed forward and closed loop techniques for improving disc drive seek and settle performance.
(Note: Be specific; attach additional sheets if necessary)

3. Purpose of Confidential Information: The party receiving Confidential Information ("Recipient") shall make use of the Confidential Information only for the following purpose (e.g., "evaluation and testing"):
Seagate: Evaluation and testing
Company: Evaluation and testing

4. Agreement Period: This Agreement controls Confidential Information which is disclosed between the Effective Date and December 31, 2000.

5. Confidentiality Period: A Recipient's duty to protect Confidential Information expires three (3) years from end of Agreement Period.

6. Standard of Care: Except as provided in the Exclusions section herein, the Recipient (i) shall treat the Confidential Information received as strictly confidential and (ii) shall not divulge, directly or indirectly, to any other person, firm, corporation, association, or entity, for any purpose whatsoever, such Confidential Information and (iii) shall not make use of such Confidential Information without prior written consent of the disclosing party. Such Confidential Information may be disclosed only to the employees or consultants of the Recipient who reasonably require access to such information for the purpose of which it was disclosed and who have secrecy obligations to the Recipient.

7. Markings: All Confidential Information which is subject to the terms and conditions of this Agreement shall be clearly marked in writing by the disclosing party as "CONFIDENTIAL," "SECRET" or with a comparable legend, which is the standard used by the disclosing party to protect it's own Confidential Information. No party shall have any responsibility under this Agreement for any information which is not so marked in writing at the time of disclosure. Nor shall any party have any responsibility under this Agreement for any oral or visual disclosures, except (i) as to information designated as confidential at the time of oral or visual disclosure and (ii) confirmed in a writing delivered within twenty (20) days to the Recipient which provides clear notice of the claim of confidentiality and describes the specific information disclosed.

8. Exclusions: The obligations set forth in the Standard of Care section herein, shall in no way restrict or impair the right of the Recipient to disclose or use any information: (i) which at the time of disclosure is published or is otherwise in the public domain; (ii) which after disclosure becomes part of the public domain otherwise than through a breach of confidence or confidentiality; (iii) which was known to the Recipient prior to receipt from the disclosing party, provided such prior knowledge can be adequately substantiated by documentary evidence antedating the disclosure by the other party; (iv) which is disclosed to the Recipient by a third party (other than employees or agents of either party) which in making such information available to the Recipient, is not in violation of any obligation of confidentiality to the disclosing party; (v) which is independently developed by the Recipient; or (vi) which is disclosed pursuant to an order or requirement of a court, administrative agency, or other governmental body.

Miscellaneous

9. Upon request of the disclosing party, any written information subject to this Agreement shall be returned to the disclosing party. The obligations of the Confidentiality Period and Standard of Care, sections herein survive the return or destruction of the Confidential Information during the Confidentiality Period.

10. Except as provided herein, no right or license whatsoever, either express or implied, is granted to either party pursuant to this Agreement under any patent, patent application, copyright, trademark, mask work, trade secret, or other proprietary right now or hereafter owned or controlled by the other party.

11. Recipient agrees that the other party owns all inventions or works of authorship derived from other party's Confidential Information and further agrees to protect the intellectual property embodied in said inventions and works of authorship.

12. Each party agrees that the Confidential Information is subject to the Export Laws and Regulations of the United States and shall not export, reexport or transship, directly or indirectly, such information to Country Groups D1, E1, E2 and Iran and Syria, or any other country hereafter restricted by the U.S. Government, without first obtaining U.S. governmental approval.

13. This Agreement will be governed under the laws of the State of California, without regards to its conflict laws principles.

CONVOLVE, INC.
132 Nassau Street, Suite 400
New York, Ny 10038

By (Duly Authorized)

Neil Singer
Typed Name

President
Title and Date

SEAGATE TECHNOLOGY, INC.
920 Disc Drive
Scotts Valley, CA 95066

By (Duly Authorized)

Edward P. Heller, III
Typed Name

Patent Counsel 10/22/98
Title and Date

Seagate Originator: Miran Sedlacek

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Seagate 'Sound Barrier Technology' Delivers Quietest Desktop Disc Drives

6-7

New Acoustics Tool Optimizes Drives for Quiet Operation in Consumer Devices

While Supporting Higher Performance for Conventional Computing

SCOTTS VALLEY, Calif., June 7 /PRNewswire/ -- Seagate Technology, Inc. (NYSE: SEG) today unveiled its "sound barrier technology" (SBT), a set of features that optimizes disc drives for quiet operation. SBT includes a silent seek mode that can be configured during manufacturing or enabled by a user. Now, the PC or other host can tell a disc drive to perform in quiet mode for home entertainment applications, or to deliver faster seeks for business applications where data must be gathered quickly from various sectors on the disc drive. For the first time, SBT lets PC makers, system integrators and even end users select acoustics and performance profiles on the fly for diverse applications, from audio/video programming on television set-top boxes and other home entertainment devices, to high-performance data intensive business applications. Silent seek mode can be controlled through tools using the new standard ATA specification called Automatic Acoustic Management (AAM). Silent seek mode and support for AAM will be standard on all new Seagate personal storage products, including the U Series 5, the world's quietest hard drive for mainstream desktop computers and Personal Video Recorders.

SBT includes many other features that are implemented on today's Seagate personal storage devices. SeaShield drive covers and designed-in dampers provide noise reduction for both idle and seek modes. Resonance reduction and other testing and modeling techniques have resulted in mechanical design optimizations which reduce drive idle and seek noise emissions. Just-in-Time seeks, which reduce acoustics and power consumption during many seeks, are implemented on today's U10 drives. Investments in Fluid Dynamic Bearing spindle motors, isolator mounting systems, and chassis designs with Seagate's strategic customers have all resulted in quieter systems, both for today and in the future. Now, SBT lets Seagate's OEM customers or end users control technology that is resident on Seagate disc drives, including adaptable seeking algorithms and intelligence, to reduce the noise a drive makes while reading and writing information.

"Seagate has invested heavily for many years in research and development in a wide variety of acoustic technologies and methods," said Steve Luczo, Seagate's CEO. "With 'sound barrier technology,' a single Seagate disc drive now provides the speed that's necessary for today's business applications with the option of a quiet drive mode for exciting entertainment applications -- without the overall performance loss of modifications like reduced spindle speeds."

"Compaq welcomes Seagate's 'sound barrier technology' support for AAM and silent seeks," said Keith LeFebvre, Director, Commercial Desktop and Workstation Product Marketing Compaq. "Seagate's SBT helps Compaq bring the total acoustics emitted by PC systems down to imperceptible levels, while still affording the performance our customers expect from their business applications. Seagate drives with SBT acoustic controls will be incorporated into Compaq's upcoming commercial products."

"Seagate's 'sound barrier technology' advances storage technology as it moves into new markets such as consumer electronics," said John Donovan, Vice President at TrendFOCUS, a Palo Alto-based market intelligence firm. "By making these acoustic features available in the personal data storage market, Seagate continues its long history as a leader in disc drive technology and provides consumer-friendly storage technology on a much broader scale."

Seagate's SBT technology provides a variety of features and options to reduce acoustic emissions, supplementing the performance, robustness, and cost benefits that customers have come to expect from Seagate personal storage products.

Seagate Technology, Inc. is a leading provider of the Internet infrastructure enabling people to store, access, and manage information. The Company is committed to providing best-in-class products to help people get information when, where and how they want it. Seagate is the world's largest manufacturer of disc drives, magnetic discs and read-write heads, an innovator

in tape drives, Storage Area Network (SAN) solutions and a leading developer of Business Intelligence software. Seagate can be found around the globe and at http://www.seagate.com. For automated news, stock and financial information by phone, dial toll-free 877-SEG-NYSE. Outside the U.S. and Canada, dial 760-704-4368.

NOTE: Seagate and Seagate Technology are registered trademarks of Seagate Technology, Inc. All trademarks are the property of their respective owners.

This release contains forward-looking statements relating to delivery of "sound barrier technology" and SeaStream technology. These forward-looking statements are based on current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of the Company to successfully develop and market "sound barrier technology" and SeaStream technology. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

SOURCE Seagate Technology, Inc.

CO: Seagate Technology, Inc.

ST: California

IN: CPR

SU: PDT

06/07/2000 07:55 EDT http://www.prnewswire.com

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

- against -

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC.,

Defendants.

Index No. _____

SUMMONS AND COMPLAINT

CADWALADER, WICKERSHAM & TAFT
100 Maiden Lane
New York, N.Y. 10038

(212) 504-6000

Attorneys for Plaintiffs,
Convolve, Inc. and
Massachusetts Institute of Technology

EXHIBIT E

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,

Defendants.

Index No. 00 Civ. 5141 (JSM)

AMENDED COMPLAINT

Plaintiffs Convolve, Inc. ("Convolve" or the "Company") and the Massachusetts Institute of Technology ("MIT"), as and for their Amended Complaint against defendants Compaq Computer Corp. ("Compaq") and Seagate Technology LLC ("Seagate"), herein allege upon personal knowledge as to themselves, and upon information and belief as to all other matters, as follows:

NATURE OF THE ACTION

1. In this action, plaintiffs seek to recover damages caused by defendants' theft of plaintiffs' proprietary technology and to prevent defendants from continuing to use technology stolen from plaintiffs and/or that infringes plaintiffs' patents. Plaintiffs' technology would add features to and improve the performance of the approximately 200 million disk drives sold each year in computers. Specifically, plaintiffs' technology improves the "state of the art" in the performance of disk drives by, among other things, enabling disk drives to operate more quickly and quietly and permitting the computer user to control the trade-off between speed and acoustics.

2. As a result of defendants' wrongful conduct, defendants -- without permission from or compensation to plaintiffs -- have incorporated plaintiffs' technology in their

Research and Development ("R&D"), manufacturing, and assembly processes, and installed plaintiffs' technology in Seagate's disk drives, including, but not limited to, the U Series 5 drive and the newly-introduced Barracuda ATA IV drive. In fact, Seagate has promoted the Barracuda ATA IV drive as "the world's only virtually silent hard drive." Seagate, with Compaq's encouragement and assistance, "achieved" this "silence" not by innovation and honest competition, but by outright deceit, misappropriation of plaintiffs' intellectual property, patent infringement, and unfair and unlawful business acts and practices.

* * *

3. Convolve is the exclusive licensee from MIT of software motion control technology known as Input Shaping®, which is covered by MIT's United States Patent No. 4,916,635 (the "'635 patent") and Convolve's United States Patent No. 5,638,267 (the "'267 patent"). Input Shaping® technology is a method for commanding equipment to move as quickly as possible without excitation of vibrations. Input Shaping® permits machines to operate more quickly and quietly by reducing the vibrations associated with machine movements, and thus, reducing both the time required for the machine to perform required operations and the accompanying noise.

4. Between early 1997 and early 1998, Convolve developed a new application for its Input Shaping® technology for use in computer disk drives. In the course of developing this application, Convolve developed numerous trade secrets and the subject matter for United States Patent No. 6,314,473 (the "'473 patent"), and International Patent Application No. WO 99/45535 (the "PCT") (the '635, '267 and '473 patents and Convolve's trade secrets are collectively referred to as "Convolve's disk drive technologies").

5. All disk drives operate at a trade-off between speed and noise -- i.e., the quicker the disk drive operates, the louder the acoustics from the drive. Convolve's disk drive

technologies permit disk drives to operate both more quickly and more quietly, thus improving the state of the art in the manufacture of disk drives and the performance of products containing disk drives. In fact, Convolve demonstrated to defendants prior to their theft of Convolve's intellectual property that Convolve's disk drive technologies will permit a computer (not just the disk drive) to operate up to 20% faster than was currently possible without regard to acoustic concerns and up to 15% faster than was possible even in "quiet" mode.

6. Convolve also developed an innovative computer control panel feature called "Quick and Quiet™," which allows the user of the disk drive to select the fastest performance, the quietest performance of the disk drive or a setting in between, depending on the needs of that particular user or type of user. The user may either be the Original Equipment Manufacturer ("OEM") that manufactures a personal computer, personal video recorder, or some other device that contains a disk drive, or the user may be the consumer that ultimately purchases such a device from the OEM. On November 6, 2001, the United States Patent and Trademark Offices ("PTO") issued the '473 patent, which covers Convolve "Quick and Quiet™" technology. Convolve disclosed this feature to defendants, who then misappropriated it and are now infringing the '473 patent by their wrongful use of this technology.

7. Upon information and belief, no other person or entity has achieved the results that Convolve has realized with its disk drive technologies: Until defendants' wrongful conduct, no disk drive operated as quickly or as quietly as would be the case using those technologies, nor was Convolve's "Quick and Quiet™" feature available in any computer system.

8. In or around October 1998, Convolve entered into discussions with Seagate and Compaq regarding defendants' possible interest in licensing Convolve's disk drive technologies. In advance of these discussions, and before disclosing any confidential

information to either defendant, Convolve entered into separate confidentiality agreements ("NDAs") with Compaq and Seagate. Pursuant to these agreements, neither Compaq nor Seagate is permitted to use or disclose Convolve's confidential information without Convolve's express written consent. Compaq and Seagate are permitted to use Convolve's disk drive technologies solely to evaluate whether to enter into a licensing agreement with Convolve, and not for any other purpose.

9. Unbeknownst to Convolve, Compaq and Seagate never had any intention of honoring their contractual commitments under the confidentiality agreements or their legal obligation to refrain from misappropriating Convolve's disk drive technologies. Rather, from the outset, the defendants -- which concededly were unable to develop Convolve's disk drive technologies on their own -- embarked on a campaign to obtain plaintiffs' technology and then pass it off as their own.

10. On June 7, 2000, Seagate issued a press release announcing its development and implementation of "sound barrier technology" ("SBT") and the U Series 5 disk drive. The SBT feature is substantially similar if not identical to Convolve's own "Quick and Quiet™" feature and other Convolve disk drive technologies. Additionally, the U Series 5 drive incorporates Convolve's Quick and Quiet™ feature and other Convolve disk drive technologies. On or around June 28, 2001, Seagate released its Barracuda ATA IV disk drive. This drive incorporates Convolve's Quick and Quiet™ feature and other Convolve disk drive technologies as well.

11. Compaq solicited and encouraged Seagate (and other drive makers) to "develop" this technology by disclosing to Seagate and others the confidential information provided to it by Convolve pursuant to the NDAs. Not surprisingly, the Seagate June 7, 2000 press release contains a quote from Compaq that "Seagate drives with SBT acoustic controls will

be incorporated into Compaq's upcoming commercial products," and Compaq currently sells products containing the Barracuda ATA IV drive.

12. In short, rather than concede an inability to develop technology like Convolve's disk drive technologies, and particularly "Quick and Quiet™," on their own, defendants misappropriated Convolve's disk drive technologies in violation of the law, their contractual commitments, and their duty of good faith to Convolve. One of the Seagate engineers purportedly charged with the decision to evaluate Convolve's disk drive technologies even admitted to Convolve that his "job" was to deliver the same results to Seagate as realized by Convolve's disk drive technologies but without paying Convolve any royalties. Defendants achieved this result by misappropriating Convolve's disk drive technologies.

13. Accordingly, plaintiffs bring this action to recover damages for Compaq and Seagate's breach of their confidentiality agreements with Convolve, their theft of Convolve's trade secrets, and their infringement of plaintiffs' patents. Plaintiffs also seek to prevent defendants from continuing to use Convolve's disk drive technologies that either were stolen from plaintiffs and/or that infringe plaintiffs' patents.

THE PARTIES

14. Plaintiff Convolve is a New York corporation with its principal place of business in New York City. It is the exclusive licensee from MIT of the patented software motion control technology know as Input Shaping®. Convolve's business consists solely of developing, marketing, applying and implementing Input Shaping® and related technologies.

15. Plaintiff MIT, located in Cambridge, Massachusetts, is a non-profit Massachusetts corporation founded in 1861. MIT is universally regarded as one of the world's outstanding universities.

16. Defendant Compaq is a Delaware corporation with its principal place of business in Houston, Texas. Compaq is a leading manufacturer of computing systems, including personal desktop and laptop computers.

17. Defendant Seagate is a limited liability corporation with its principal place of business in Scotts Valley, California. Seagate manufactures computer disk drives and is Compaq's primary disk drive supplier.

VENUE AND JURISDICTION

18. This Court has jurisdiction over this dispute pursuant to 28 U.S.C. §§ 1332(a)(1) and 1338. The matter in controversy exceeds $75,000.

19. Venue is proper in this District pursuant to 28 U.S.C. 1391(a) because a substantial part of the events giving rise to plaintiffs' claims occurred in this District.

FACTUAL ALLEGATIONS

A. Convolve's Input Shaping® Technology And "Quick And Quiet™" Feature

20. Convolve was founded in 1989 by Neil Singer, Ph.D. ("Singer"). It is the exclusive licensee of Input Shaping®, a patented software motion control technology invented by Dr. Singer, Professor Warren Seering and Ken Pasch, Ph.D., approximately ten years ago while performing government-sponsored research at MIT. MIT owns, and Convolve is the exclusive licensee, of Input Shaping®.

21. Input Shaping® is a method of optimizing movement within a particular system or piece of equipment. Specifically, this technology is used to command systems to operate at faster speeds with decreased "seek" times (i.e., the time required for a particular component in a machine to perform an assigned function) while limiting the amount of

vibrations in the system (i.e., the vibrations associated with the movement of the machine's components).

22. Convolve already has successfully extended Input Shaping® technology to many different specialty applications, such as the NASA Space Shuttle robot arm training system, X-ray inspection machines, flat panel inspection machines, and cranes handling nuclear materials. Convolve also has licensed Input Shaping® technology to a number of entities, including Agilent Technologies, Polytech PI and Dover Instrument Corporation. In fact, since 1995, Seagate has licensed Input Shaping® for use on all of their disk head testing machines. As Seagate is well aware, its use of Input Shaping® technology on their disk head testers currently permits Seagate to considerably increase the performance of these machines and reduce the time required to "tune" each machine. Seagate also is aware that the plaintiffs' technology at issue here will, likewise, reduce the time required to bring a new drive to market by approximately one month per year by making the design process more efficient.

23. In early 1997 through early 1998, Convolve further developed its Input Shaping® technology to apply to computer disk drives. Specifically, Convolve utilized Input Shaping® technology to control the "arm" in a disk drive -- i.e., the part of the drive that executes commands by finding files, etc. -- to simultaneously reduce both the seek time and the unwanted clicking noise accompanying the movement of the arm (called acoustics). More specifically, in a computer disk drive there are three types of vibrations generated by the machine: (1) vibrations affecting seek times; (2) vibrations generating acoustic noise; and (3) vibrations which do both. Convolve's Input Shaping® technology enables the design engineer to measure the various vibrations generated by a disk drive, and using Convolve's software, to reduce the various vibrations generated by the disk drive while still permitting the drive to move as fast as possible.

24. Convolve's disk drive technologies also include a control panel feature called "Quick and Quiet™" which permits an end user to customize the disk drive's speed and acoustics. For example, for certain applications where acoustics are not a concern, an end user is able to set the disk drive to run very fast (i.e., to have very low seek time) without concern for acoustics. However, for other applications (i.e., home use), the same end user may set the system to operate at a slightly slower speed in return for reduced acoustics or noise. Using Convolve's Input Shaping® and "Quick and Quiet™" technology, even the "slow" mode is considerably faster (and considerably quieter) than other currently available disk drive technology.

25. Convolve has incurred significant expenses in developing and testing its disk drive technologies. Indeed, during the Spring and Summer of 1998, Convolve conducted in-house testing of its new disk drive software by: (1) setting up a full disk drive hardware model; (2) hiring numerous consultants; (3) purchasing necessary testing equipment; and (4) implementing the new technology on a physical hard drive. Convolve's costs in connection with these development efforts alone have exceeded $600,000.

26. Convolve and MIT have issued patents (the '635 and '267 patents, respectively), and Convolve has filed patent applications, in connection with the foregoing Input Shaping® technology. These applications currently are pending with the United States Patent and Trademark Office and with the World Intellectual Property Organization, a United Nations agency based in Geneva, Switzerland that is responsible for promoting the protection of intellectual property rights throughout the world. As noted above, Convolve also has an issued patent (its '473 patent) in connection with its "Quick and Quiet™" technology.

B. Convolve Approaches Compaq And Enters Into Confidentiality Agreements

27. In early 1998, Convolve approached Compaq with the idea for its disk drive technology. Dr. Singer phoned Compaq's then-head of its Storage Products group, Ralph Perry, and in general terms explained the potential use of Convolve's disk drive technologies in computer disk drives. Over the next several months, in both telephonic conversations and face-to-face meetings at Compaq's Houston headquarters, Convolve and Compaq had additional, general discussions regarding the potential application of Convolve's disk drive technologies. Throughout these discussions, Perry and others at Compaq expressed interest in incorporating Convolve's disk drive technologies into Compaq's products. However, because Compaq itself does not manufacture disk drives, it invited one of its primary drive suppliers, Seagate, for further discussions with Convolve. A meeting was arranged for October 16, 1998 among representatives of these three companies.

28. However, prior to the October 16, 1998 meeting and before disclosing its technology to Compaq or Seagate, Convolve entered into NDAs with each company. Each of these agreements clearly and unambiguously defines Compaq and Seagate's obligations not to use Convolve's disk drive technologies for any purpose other than exploring a potential transaction with Convolve, and to maintain Convolve's disk drive technologies in a confidential manner. Indeed, in an October 12, 1998 e-mail from Compaq to Convolve and Seagate attaching a draft NDA, Compaq acknowledged that the "purpose of this NDA is specifically limited to evaluating/discussing the licensing of Convolve's product."

29. As explained below, however, Compaq and Seagate simply disregarded their obligations under these agreements. Instead, either at the time defendants executed the NDAs or shortly thereafter, they decided to and in fact did breach their clearly defined

contractual commitments by, among other things, using Convolve's disk drive technologies not in connection with a possible Convolve agreement, but for their own economic benefit.

30. The Compaq Confidentiality and Nondisclosure Agreement, dated October 16, 1998 (the "Compaq NDA," attached as Exhibit A hereto) expressly provides that Convolve's confidential information "shall be used [by Compaq] solely for the purpose of evaluating and discussing a possible licensing agreement between CONVOLVE and COMPAQ." See Ex. A, Clause 2 (the Compaq NDA). Compaq also agreed that it "w[ould] not (and w[ould] not cause or solicit any third party to) use Information of CONVOLVE to reverse engineer, further develop, improve upon or design-around CONVOLVE'S intellectual property rights." See id., Clause 10. Moreover, Compaq expressly acknowledged that Convolve's confidential information "is claimed to be a valuable, special and unique asset," which Compaq agreed to protect for four years from the date of Convolve's disclosure. Id.

31. Accordingly, Compaq agreed that it would: (i) maintain Convolve's information in confidence; (ii) not use Convolve's information except for purposes of evaluating a possible license agreement with Convolve; and (iii) not disclose any confidential information to a third party -- such as Seagate -- without Convolve's express written consent, even when that third party had a similar duty of nondisclosure, except for purposes of exploring a possible license agreement with Convolve. Id., Clause 3.

32. Similarly, the Seagate Reciprocal Nondisclosure Agreement, dated October 14, 1998 (the "Seagate NDA," attached hereto as Exhibit B) expressly provides that Seagate "shall make use of [Convolve's] Confidential Information only for . . . [e]valuation and testing" in connection with exploring a possible licensing agreement with Convolve. See Ex. B, Clause 3 (the Seagate NDA). In addition, Seagate (like Compaq) agreed that it would not disclose to any other person (including Compaq) or otherwise make use of Convolve's

confidential information without the prior written consent of Convolve and only for purposes of exploring a licensing agreement with Convolve. See id.

33. In short, Compaq and Seagate had the right under the Compaq and Seagate NDAs to use Convolve's information for one purpose and one purpose only: to evaluate a potential licensing arrangement with Convolve. As detailed below, defendants -- either at the time they executed the NDAs or soon thereafter -- decided to disregard these contractual obligations. Indeed, within a few months of signing these agreements, defendants, in violation of the NDAs, used confidential information received from Convolve to "develop" (i.e., steal and pass off as their own) the very Convolve technology that was protected by the NDAs.

C. **Convolve Discloses Its Input Shaping® Technology To Compaq and Seagate**

34. On October 16, 1998, Convolve representatives met with Compaq and Seagate representatives at Compaq's facilities in Houston. Having executed a nondisclosure agreement with each company, and relying on, among other things, the protections afforded by these agreements, Convolve gave a presentation regarding its Input Shaping® technology and the application of this technology to computer disk drives. Convolve also gave a fully functional hardware demonstration of the speed and acoustic benefits of Input Shaping®. Convolve did not disclose its "Quick and Quiet™" feature at this meeting. While the Compaq representatives at the meeting expressed significant interest in Convolve's disk drive technologies, Compaq stated its preference that Convolve work with Seagate to implement Convolve's disk drive technologies on a Seagate disk drive.

35. Seagate, however, clearly had no intention of working cooperatively with Convolve, or of respecting its obligations under the NDA. In this regard, for six years up to and including the October 16 meeting, Seagate had been attempting to develop the very same technology that Convolve had presented at the meeting. Unlike Convolve, however, Seagate had

not been successful in enhancing disk drive speed without sacrificing acoustics. Rather than disclose these failed efforts to Convolve, a Seagate engineer at the meeting, John Morris, claimed that Seagate drives already operated at near optimum levels in terms of speed and acoustics, and that there was no room for measurable improvement. Convolve later demonstrated to Seagate and Compaq that this claim was patently false. Upon information and belief, Seagate did not disclose its efforts to develop a competing technology because these efforts had been fruitless in terms of enhancing disk drive performance, and Seagate did not want to lose face in front of its major customer.

36. Confronted with Seagate's "skepticism" at the October 16 meeting, Convolve challenged Seagate's claims that the performance of Seagate's disk drives could not be enhanced by Convolve's disk drive technologies. Convolve requested permission to install Input Shaping® technology on a Seagate drive in order to demonstrate the effectiveness of this technology. Seagate, at Compaq's insistence, agreed.

37. In compliance with the Compaq and Seagate NDAs, Dr. Singer sent a follow-up letter on October 19, 1998 to Shawn Dempster at Seagate stating that Convolve "considers the oral disclosure of implementation details, techniques, approaches, and test results presented to Compaq and Seagate and the discussions that followed in [the] meeting to be confidential and covered by the Confidentiality and Nondisclosure Agreement dated 10/16/98." Dr. Singer also noted in this letter that any responses to Seagate's inquiries during the October 16 meeting are also considered confidential.

D. Convolve Discloses Its "Quick and Quiet™" Technology To Compaq

38. Shortly after the October 16 meeting, Convolve decided to market the "Quick and Quiet™" control panel feature along with its new computer disk drive technology.

39. Between November 9 and November 12, 1998 Convolve disclosed information about the "Quick and Quiet™" control panel feature to Compaq. This disclosure was followed by a letter dated November 19, 1998, in which Convolve informed Compaq that the information regarding the "Quick and Quiet™" feature was confidential. Compaq representatives assured Convolve through both telephone conversations and e-mail that measures would be taken to ensure the confidentiality of all information concerning the "Quick and Quiet™" feature.

40. At that time, Compaq expressed an interest in Convolve's computer disk drive technology including its "Quick and Quiet™" control panel feature and again encouraged Convolve to work with Seagate to implement this new technology along with the Input Shaping® technology discussed at the October 16 meeting.

41. A February 23, 1999 e-mail from Richard Murphy, a senior Compaq engineer charged with evaluating new technology, confirms the wide disclosure of Convolve's "Quick and Quiet™" feature under the NDAs throughout Compaq. In that e-mail, which was distributed to other Compaq personnel regarding Convolve's disk drive technologies, Murphy stressed the "Quick and Quiet™" feature: "Please keep in mind that the technology implementation envisioned allows the user to tailor the trade off between acoustic noise reduction and settling time performance of the drive."

42. Upon information and belief, Compaq at this time or shortly thereafter disclosed to Seagate in violation of the Compaq NDA the information it had learned from Convolve about its "Quick and Quiet™" feature. In June 2000, after Seagate issued its press release announcing "SBT," Convolve contacted Richard Murphy of Compaq regarding Seagate's use of Convolve's disk drive technologies. Murphy told Convolve that he became aware of, and even contacted Compaq's legal department in January 2000, regarding Compaq's improper

disclosure of information regarding "Quick and Quiet™" to Seagate and Seagate's theft of Convolve's confidential information. In January 2000, Murphy attended a meeting with in-house Compaq counsel concerning this issue.

43. Although David White, a Compaq engineer who attended the January 2000 meeting, apparently claimed that he independently developed the "Quick and Quiet™" feature on his own and asked Seagate to implement it, his claim is belied by the facts that neither Murphy, Perry, Ken Bush (Perry's replacement and White's boss), nor the many other Convolve contacts at Compaq, ever expressed any awareness of White's development of something akin to Convolve's "Quick and Quiet™" feature, and White is a recipient of Murphy's February 1999 e-mail describing Convolve's "Quick and Quiet™" feature.

44. In short, by no later than February 1999, defendants had determined to use plaintiffs' Input Shaping® technology and Convolve's "Quick and Quiet™" feature in Compaq's and Seagate's products -- in clear violation of the NDAs -- and neither defendant ever intended to use Convolve's information for the one purpose permitted by the NDA, i.e., to explore a licensing agreement with Convolve.

E. Convolve Conclusively Demonstrates The Benefits And Effectiveness Of Its Input Shaping® Technology To Compaq And Seagate

45. Having expressed interest in Convolve's disk drive technologies, the next step in defendants' "evaluation" process required that Convolve demonstrate that these technologies functioned as claimed on a disk drive, including a Seagate drive. While Convolve believed that the purpose of the demonstration was to permit defendants to assess whether to license Convolve's disk drive technologies, defendants by this time never had any intention to enter into an agreement with Convolve. Instead, Seagate, with Compaq's encouragement and assistance, was determined to misappropriate this information for use in Seagate's "competing"

technology. Brent Douglas, one of the Seagate engineers involved in the "evaluation" of Convolve's disk drive technologies, even subsequently conceded to Convolve that his "job" was to find a way around plaintiffs' patents -- i.e., to deliver to Seagate the results realized by plaintiffs without paying any royalties.

46. On February 11, 1999, two Seagate engineers traveled to New York for a demonstration of Convolve's disk drive technologies, albeit not on a Seagate disk drive. The demonstration was successful: As set forth in Richard Murphy's February 23 e-mail, "Convolve's Input Shaping Technology has been successfully concluded with a closed loop demonstration for Seagate's Brent Douglas and his servo engineer, Lee McKenzie, at Convolve's New York location." Murphy added:

> For those interested in the acoustic benefits of the technology, we have one result for a noisy Maxtor drive obtained in Compaq's anechoic chamber. The substantial reduction of seek noise that was obtained in this instance is expected to be observed with current (quieter) drives as a similar ~90% reduction of the seek noise increment above idle. If we wish to obtain quantitative verification of this expectation for the [Seagate] drive, Compaq will have to provide expense monies for Convolve to allow [Convolve representatives] to travel to Houston with the necessary equipment. . . . Since both Seagate and Compaq have methods of reducing drive noise that have been quantified here, I would recommend that we find the expense money to get the quantitative data for Convolve's methodology, which is expected to offer substantial cost advantage to Compaq over all platforms (eventually).

47. Following the February 11 demonstration, Seagate provided Convolve with the software and hardware that would enable Convolve to install its technology on the Seagate drive. On April 6, 1998, Convolve representatives traveled to a Seagate facility in Oklahoma to demonstrate Convolve's disk drive technologies on a Seagate drive.

48. Seagate, however, was unprepared for the demonstration because Seagate's equipment was incompatible with Convolve's disk drive technologies. Ken Pasch, a Convolve representative attending the meetings, instructed Seagate regarding the necessary alterations to enable Seagate software and drives to run Convolve's disk drive technologies. Once the adjustments were made to Seagate's equipment (using Pasch's alterations to Seagate's software), Convolve successfully demonstrated its disk drive technologies on the Seagate drive.

49. In fact, over the next two days, Convolve performed many "seeks" in varying distances, up to a 600 track seek, on a Seagate drive, resulting in significantly enhanced speed and acoustics. As set forth in a June 16, 1999 e-mail, Seagate even conceded that, conservatively, Convolve's disk drive technologies reduced seek noise by as much as 90% or more with no reduction in drive performance, and that overall computer speed (as opposed to just the disk drive speed) was increased up to 15% while still reducing acoustic noise.

50. Unbeknownst to Convolve, however, Seagate sent several engineers to the April meetings that were attempting, unsuccessfully, to develop the very technologies that Convolve was then successfully demonstrating to Seagate. Indeed, Seagate had for the past six years been attempting to develop a noise reduction/speed enhancement technology for use in computer disk drives using "feedback" technology. Although Convolve did not know it at the time, the Seagate engineer in charge of this effort, Evert Cooper, as well as other Seagate engineers involved in the project (including Yi-Ping Hsin), were among the Seagate representatives at the April meetings.

51. Shortly after the April meetings, Cooper suddenly adopted a new approach to his internal Seagate project, abandoning a mixed "feedforward/feedback" approach in voltage in favor of Convolve's current-based disk drive technologies. Only after Cooper essentially copied Convolve's methodology was he, after six years of failed attempts, able to achieve results

similar to those achieved by Convolve. He did so, however, only after having had access at the April meetings to Convolve's successful results (i.e., Convolve demonstrated that the claimed results in fact could be realized), technical approach and data. Moreover, as confirmed by Seagate's Brent Douglas and Lee McKenzie, Cooper was able to test his "new" approach only by using firmware developed using Pasch's alterations to Seagate's software.

52. Cooper, Hsin and the other "competing" Seagate engineers served no legitimate purpose at the April meetings because they were charged not with the decision to license Convolve's disk drive technologies, but rather to develop a substantially similar, competing technology for Seagate. Moreover, these Seagate representatives plainly used their time at the April meetings for the very purpose prohibited by the NDAs: Cooper and the others asked detailed questions of Convolve at the meeting and generally probed into each and every facet of the functioning of Convolve's disk drive technologies in order to steal those technologies, not to evaluate a potential deal with Convolve.

53. In short, after six unsuccessful years, Cooper's sudden "success" shortly after having had access to Convolve's proprietary technology is no coincidence: it is, plain and simple, misappropriation of Convolve's trade secrets and proprietary technology in violation of the NDAs.

F. Having Had Access to Convolve's disk drive technologies, Compaq And Seagate Then Simply Steal It And Attempt To Pass It Off As Their Own

54. Between April and August 1999, Seagate dragged its feet regarding a decision to license Convolve's disk drive technologies. On June 7, 1999, Convolve sent a licensing proposal to Seagate highlighting the benefits of Convolve's disk drive technologies, including the "Quick and Quiet™" feature. In response, Seagate indicated for the first time that while it might want to license Convolve's disk drive technologies, it first wanted to evaluate the

work of its own engineers. Prior to this time, and from the outset of negotiations, Seagate had represented that it would license Convolve's disk drive technologies if it worked as predicted. Seagate even offered the name of its attorney, Ned Heller, who would negotiate such an agreement.

55. All these representations were false. In truth, even though Convolve's disk drive technologies performed better than predicted at the outset of the parties' discussions, Seagate had absolutely no intention of licensing these technologies. Instead, Seagate was using plaintiffs' disk drive technologies – including but not limited to information regarding Convolve's "Quick and Quiet™" feature improperly disclosed by Compaq in violation of the Compaq NDA -- to "develop" its own competing technology, in clear violation of the Compaq and Seagate NDAs. Indeed, in this six-month period, Convolve repeatedly and openly discussed all aspects of its technology with Seagate engineers -- all in the belief that defendants required such information in order to make a decision regarding licensing -- when in fact defendants planned to use this information to misappropriate Convolve's disk drive technologies for use in Seagate drives.

56. Moreover, as noted above, without Convolve's assistance, Seagate engineers had been unable to successfully operate Convolve's disk drive technologies on Seagate drives during the April 1999 meetings. Convolve conceived of the appropriate alterations to Seagate software to enable Seagate drives to run Convolve's disk drive technologies. Convolve learned later that Seagate, again in violation of the Seagate NDA, was using information disclosed by Convolve (i.e., the technology required to run and test the effectiveness of Convolve's proprietary technology) to test the effectiveness of the competing Seagate technology (which itself was based on misappropriated Convolve technology).

57. In or about August 1999 -- i.e., within weeks of the time when Cooper, having misappropriated Convolve's disk drive technologies, finally was able to successfully demonstrate his "competing" (albeit stolen) technology -- Seagate informed Convolve that it was not interested in licensing Convolve disk drive technology. Seagate never disclosed, of course, that it no longer had the need to pay a royalty for Convolve's disk drive technologies because Seagate had misappropriated them, and the ability to run and test them on Seagate drives, and intended to pass those technologies off as its own.

G. Seagate's "Sound Barrier Technology"

58. On June 7, 2000, Seagate issued a press release announcing a new disk drive technology, which it has named "sound barrier technology" ("SBT," Exhibit C).

59. The Seagate Press Release confirms that Seagate used the confidential information that Convolve disclosed to Seagate pursuant to the Seagate NDA to develop technologies that are identical to Convolve's disk drive technologies, including Convolve's "Quick and Quiet™" control panel feature. Specifically, the Seagate Press Release describes the new SBT feature as:

> includ[ing] a silent seek mode that can be configured during manufacturing or by the end user. Now the PC or other host can tell a disk drive to perform in quiet mode for home entertainment applications, or to deliver faster seeks for business applications where data must be gathered quickly from various sectors on the disk drive.

60. The Seagate Press Release also confirms that Seagate developed its SBT feature in cooperation with or at the request of Compaq. Specifically, the Seagate Press Release contains the following quote from a Compaq Director, Keith LeFebvre:

> Compaq welcomes Seagate's "sound barrier technology" support for AAM and silent seeks.... Seagate drives with SBT acoustic control will be incorporated into Compaq's upcoming commercial products.

61. On June 9, 2000, Convolve contacted Compaq regarding the Seagate Press Release. A senior Compaq engineer confirmed that in early 1999 Compaq had solicited Seagate to supply them with this new disk drive technology and Compaq's engineers had been working with Seagate to develop and implement the new SBT feature.

62. On or around June 28, 2001, Seagate announced the introduction of a new drive, the Barracuda ATA IV, which contains SBT. A press release accompanying the announcement of the new Barracuda drive (Exhibit D) confirms the importance of the Convolve disk drive technologies to Seagate:

> "Silence has been a sort of 'holy grail' in PC engineering circles. . . . Now we've devised a breakthrough that makes it real."

Seagate added in the press release that Seagate's technology "makes the superfast drive the world's only virtually silent drive." Upon information and belief, Seagate did not "devise" a "breakthrough" to create a "superfast" and "silent" drive; instead, to achieve that result, it stole the Convolve disk drive technologies and implemented these technologies on the Barracuda drive (the very drive that Seagate used to test Convolve's disk drive technologies at Seagate's Oklahoma operations center).

IRREPARABLE HARM

63. Absent injunctive relief from this Court, plaintiffs will suffer grievous and irreparable harm. First, Convolve's main source of revenues is its ability to license the very technology that defendants have misappropriated. Moreover, defendants are distributing this technology free of charge -- i.e., it simply is included in Seagate and Compaq products. Obviously, Convolve cannot compete in an arena where it must charge a licensing fee whereas defendants simply give away a competing product. Without exclusive ownership of its Input Shaping® technology and "Quick and Quiet™" feature, Convolve will lose the ability to derive

meaningful licensing revenues from these products and ultimately the ability to remain a viable business concern.

64. Second, Seagate made a public proposal (which subsequently was adopted) for an open industry standard regarding acoustic management in disk drives to "T13," a technical committee for the National Committee on Information Technology Standards that is responsible for the interface between computers and disk drives. Seagate has proposed that T13 create a standard series of commands from the computer to the disk drive controlling the trade-off between disk drive speed and noise. This proposed standard, in effect, would duplicate the function served by Convolve's "Quick and Quiet™" technology, thereby precluding Convolve form licensing this technology to OEMs or drive manufacturers for a fee. Again, by depriving Convolve of the ability to obtain meaningful licensing revenues from its "Quick and Quiet™" technology, defendants' wrongful conduct threatens Convolve's financial well-being and the livelihood of its employees.

65. Third, based on its press releases, Seagate is claiming that its technology performs the same functions as Convolve's proprietary technology. However, upon information and belief, Convolve's disk drive technologies are superior to those of Seagate, notwithstanding that Seagate has misappropriated Convolve's technology in "developing" SBT. The threat of confusion in the marketplace -- i.e., that the computer industry will perceive that the two products are identical, when in fact Seagate's is inferior -- threatens irreparable harm to the reputation of the Convolve disk drive technologies.

66. Fourth, misappropriation of trade secrets is per se irreparable harm. Here, Compaq even recognized as much: in an October 8, 1999 e-mail to Convolve, Compaq represented that it "understands [that] Convolve's technology is [its] most valuable asset, and we want to assure you that we have processes in place to protect our confidential information as well

as that of our partners and suppliers." Injunctive relief is appropriate and required to prevent defendants' misappropriation of plaintiffs' technology.

Plaintiffs have no adequate remedy at law.

FIRST CLAIM FOR RELIEF

BREACH OF CONTRACT

(Against Compaq)

67. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 66.

68. The Compaq NDA is a valid and enforceable agreement between Compaq and Convolve.

69. Pursuant to the terms of the Compaq NDA, and in reliance on the protections afforded therein, Convolve disclosed confidential and/or trade secret information to Compaq regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature.

70. By disclosing such confidential and/or trade secret information to Seagate and cooperating with Seagate to secretly and wrongfully misuse such information, including by implementing Convolve disk drive technologies on Seagate's drives, Compaq has materially breached the Compaq NDA.

71. As a result of Compaq's breach of its obligations under the Compaq NDA, Compaq is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

SECOND CLAIM FOR RELIEF

BREACH OF CONTRACT

(Against Seagate)

72. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 71.

73. The Seagate NDA is a valid and enforceable agreement between Seagate and Convolve.

74. Pursuant to the terms of the Seagate NDA, and in reliance on the protections afforded therein, Convolve disclosed confidential and/or trade secret information to Seagate regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature.

75. By misusing such confidential and/or trade secret information and secretly and wrongfully implementing plaintiffs' confidential and/or trade secret information on Seagate's drives, Seagate has materially breached the Seagate NDA.

76. As a result of Seagate's breach of its obligations under the Seagate NDA, Seagate is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000.

THIRD CLAIM FOR RELIEF

TORTIOUS INTERFERENCE WITH CONTRACT

(Against Compaq)

77. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 76.

78. The Seagate NDA is a valid and enforceable agreement between Seagate and Convolve.

79. Compaq had express knowledge of the Seagate NDA between Convolve and Seagate.

80. By (1) soliciting Seagate to develop technology similar to Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature; (2) encouraging Seagate to obtain and utilize confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature; and (3) cooperating with Seagate to wrongfully use plaintiffs' technology, including by implementing this technology on Seagate's drives, Compaq willfully and intentionally induced Seagate to breach the Seagate NDA.

81. As a result of Compaq's willful, intentional and malicious inducement of Seagate to breach the Seagate NDA, Compaq is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

FOURTH CLAIM FOR RELIEF

TORTIOUS INTERFERENCE WITH CONTRACT

(Against Seagate)

82. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 81.

83. Seagate had express knowledge of the Compaq NDA between Convolve and Compaq.

84. By (1) encouraging Compaq to disclose confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, and (2) cooperating with Compaq to misuse plaintiffs' technology,

including by implementing this technology on Seagate's drives, Seagate willfully and intentionally induced Compaq to breach the Compaq NDA.

85. As a result of Seagate's willful, intentional and malicious inducement of Compaq to breach the Compaq NDA, Seagate is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

FIFTH CLAIM FOR RELIEF

FRAUD

(Against Compaq)

86. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 85.

87. Compaq willfully, intentionally and maliciously induced Convolve to disclose confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, by representing that it (1) intended to evaluate the technology in order to assess the possibility of a licensing agreement with Convolve and (2) would maintain the confidentiality of the information.

88. Convolve disclosed confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, in reliance on Compaq's representations.

89. At the time it made these representations, Compaq knew they were materially false. Instead of evaluating Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, for purposes of a potential licensing agreement with Convolve, Compaq utilized the confidential and/or trade secret information provided by

Convolve to cooperate with Seagate in misusing plaintiffs' technology, including by implementing this technology on Seagate's drives.

90. As a result of Compaq's fraudulent misrepresentations, Compaq is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

SIXTH CLAIM FOR RELIEF

FRAUD

(Against Seagate)

91. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 90.

92. Seagate willfully, intentionally and maliciously induced Convolve to disclose confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, by representing that it (1) intended to evaluate the technology in order to assess the possibility of a licensing agreement with Convolve and (2) would maintain the confidentiality of the information.

93. Convolve disclosed confidential and/or trade secret information regarding Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" features, in reliance on Seagate's representations.

94. At the time it made these representations, Seagate knew they were materially false. Instead of evaluating Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, for purposes of a potential licensing agreement with Convolve, Seagate utilized the confidential and/or trade secret information provided by

Convolve to misuse plaintiffs' technology, including by implementing this technology on Seagate's drives.

95. As a result of Seagate's fraudulent misrepresentations, Seagate is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

SEVENTH CLAIM FOR RELIEF

MISAPPROPRIATION OF TRADE SECRETS

(Against Compaq)

96. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 95.

97. Much of Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, were at the time of disclosure (and most of this information remains) trade secrets possessed and protected by Convolve.

98. Compaq acquired Convolve's trade secrets under an express contractual duty to maintain the confidentiality of those secrets.

99. Compaq misappropriated Convolve's trade secrets by (1) disclosing Convolve's confidential trade secret information to Seagate and (2) using Convolve's confidential trade secret information to cooperate with Seagate to misuse plaintiffs' technology, including by implementing Convolve's disk drive technologies on Seagate's drives.

100. Convolve did not authorize such disclosure or use of its trade secret information.

101. As a result of Compaq's willful, intentional and malicious misappropriation of Convolve's trade secrets, Compaq is liable to Convolve for compensatory damages in an

amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

EIGHTH CLAIM FOR RELIEF

MISAPPROPRIATION OF TRADE SECRETS

(Against Seagate)

102. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 101.

103. Much of Convolve's disk drive technologies, including but not limited to the "Quick and Quiet™" feature, were at the time of disclosure (and most of this information remains) trade secrets possessed and protected by Convolve.

104. Seagate acquired Convolve's trade secrets under an express contractual duty to maintain the confidentiality of those secrets.

105. Seagate misappropriated Convolve's trade secrets by, among other things, implementing Convolve's confidential trade secret information on Seagate's drives.

106. Convolve did not authorize such disclosure or use of their trade secret information.

107. As a result of Seagate's willful, intentional and malicious misappropriation of Convolve's trade secrets, Seagate is liable to Convolve for compensatory damages in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for punitive damages.

NINTH CLAIM FOR RELIEF

PATENT INFRINGEMENT

(Against Seagate and Compaq)

108. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 107.

109. The '635 patent was duly and legally issued to MIT, and the '267 patent was duly and legally issued to Convolve (the "Input Shaping Patents"). These patents, which were issued on April 10, 1990 and June 10, 1997, respectively, remain in effect. MIT and Convolve are and have been the owners of these Patents since the date they were issued.

110. At all relevant times, defendants were aware that the '635 and '267 patents cover and protect a portion of Convolve's disk drive technologies disclosed by Convolve to defendants.

111. Defendants for a long time past have been and still are infringing the Input Shaping Patents through the conduct described above.

112. Defendants had no authority to use plaintiffs' patented technology other than as set forth in the NDAs.

113. Defendants' acts of infringement have injured plaintiffs by, among other things, depriving plaintiffs of the ability to license for a fee the disk drive technologies that defendants are wrongfully incorporating in their products.

114. As a result of defendants' knowing, willful and deliberate infringement of the '635 and '267 patents, defendants are jointly and severally liable to plaintiffs in an amount to be determined at trial, but currently believed to be not less than $800,000,000, and for treble damages pursuant to 35 U.S.C. § 284.

TENTH CLAIM FOR RELIEF

PATENT INFRINGEMENT

(Against Compaq and Seagate)

115. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 114.

116. The '473 patent was duly and legally issued to Convolve on November 6, 2001. Convolve has been and still is the owner of this patent since the date it was issued, and this patent remains in effect.

117. Defendants have been and are infringing the '473 patent through the conduct described above.

118. Defendants have no authority to use Convolve's patented technology.

119. Defendants' acts of infringement are injuring plaintiffs by, among other things, depriving plaintiffs of the ability to license for a fee the disk drive technologies that defendants are wrongfully incorporating in their products.

120. As a result of defendants' infringement of the '473 patent, defendants are jointly and severally liable to Convolve in an amount to be determined at trial.

ELEVENTH CLAIM FOR RELIEF

VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE §17200, Et Seq.

(Against Compaq and Seagate)

121. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 120.

122. Defendants, by engaging in the conduct described herein, in the past have engaged in, and are currently committing and engaging in, unfair and unlawful business acts and practices, as defined by California Business and Professions Code Section 17200, et seq.

123. The harm to plaintiffs outweighs the utility of the defendants' acts and practices.

124. As a direct and proximate result of the aforementioned acts, defendants received and continue to hold and receive unjust gains and profits belonging to Convolve and MIT in an amount to be determined at trial.

TWELFTH CLAIM FOR RELIEF

BREACH OF CONFIDENCE

(Against Compaq and Seagate)

125. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 124.

126. As described above, Convolve conveyed novel and confidential and/or trade secret information to Compaq and Seagate.

127. Each of the defendants knew that the information disclosed by Convolve was disclosed in confidence.

128. Defendants and Convolve had an understanding and agreement that defendants would maintain the confidentiality of the information disclosed by Convolve.

129. Each of the defendants disclosed and/or used the information disclosed to it in violation of the foregoing understanding and agreement.

130. As a result of each of the defendants' willful, intentional and malicious misuse of the novel, confidential and/or trade secret information disclosed by Convolve,

defendants are liable to Convolve for compensatory damages in an amount to be determined at trial, but in no event less than $800,000,000, and for punitive damages.

THIRTEENTH CLAIM FOR RELIEF

BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING

(Against Compaq)

131. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 130.

132. The Compaq NDA contains an implied covenant of good faith and fair dealing.

133. By engaging in the conduct described herein, Compaq has frustrated Convolve's rights to the benefits of the Compaq NDA and violated the covenant of good faith and fair dealing in the Compaq NDA.

134. As a result of Compaq's breach of the covenant of good faith and fair dealing, Compaq is liable to Convolve for compensatory damages in an amount to be determined at trial, but in no event less than $800,000,000.

FOURTEENTH CLAIM FOR RELIEF

BREACH OF COVENANT OF GOOD FAITH AND FAIR DEALING

(Against Seagate)

135. Plaintiffs repeat and reallege the allegations set forth above in paragraphs 1 - 134.

136. The Seagate NDA contains an implied covenant of good faith and fair dealing.

137. By engaging in the conduct described herein, Seagate has frustrated Convolve's rights to the benefits of the Seagate NDA, and violated the covenant of good faith and fair dealing in the Seagate NDA.

138. As a result of Seagate's breach of the covenant of good faith and fair dealing, Seagate is liable to Convolve for compensatory damages in an amount to be determined at trial, but in no event less than $800,000,000.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray for relief and judgment against defendants as follows:

(1) A preliminary and permanent injunction barring defendants from further infringing MIT's '635 patent and Convolve's '267 and '473 patents;

(2) A preliminary and permanent injunction barring defendants from disclosing or using in any way Convolve's trade secrets;

(3) A headstart injunction barring defendants from disclosing or using in any way those of Convolve's former trade secrets that were disclosed to defendants by Convolve while the information was a trade secret;

(4) An accounting of defendants' profits, gains and advantages derived from the foregoing infringement of plaintiffs' patents and misappropriation of Convolve's trade secrets;

(5) Compensatory damages in an amount to be determined at trial, but in no event less than $800 million;

(6) Punitive damages in an amount to be determined at trial;

(7) Restitution and disgorgement of defendants' profits and unjust gains in an amount to be determined at trial;

(8) Treble damages pursuant to 35 U.S.C. § 284;

(9) Costs, interest and attorneys' fees; and

(10) Such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiffs demand a trial by jury on all issues so triable.

Dated: New York, New York
January 16, 2002

CADWALADER, WICKERSHAM & TAFT

By: _____
Dennis J. Block (DB-0432)
Kenneth A. Freeling (KF-0180)
Jason M. Halper (JH-8310)

100 Maiden Lane
New York, New York 10038
Telephone: (212) 504-6000
Telecopier: (212) 504-6666

Attorneys for Plaintiffs
Convolve, Inc. and Massachusetts
Institute of Technology

EXHIBIT A

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

1. THIS AGREEMENT is effective as of October 16, 1998 ("Effective Date"), and is made by and between Compaq Computer Corporation and any of its subsidiaries ("COMPAQ"), a Delaware, U.S.A. corporation, and Convolve, Inc. ("CONVOLVE") a New York, U.S.A corporation.

2. The parties have related business interests and it is contemplated that the parties may be disclosing certain confidential and/or proprietary information to the other party regarding results owned by CONVOLVE from a testing, verification and demonstration program, in the field of data storage on hard disk drives, of software motion control technology known as Input Shaping™ also owned by CONVOLVE. The parties agree that the terms of this Agreement shall apply to any confidential and/or proprietary information that may be disclosed between the Effective Date and October 15, 2000 and that such Information shall be used solely for the purpose of evaluating and discussing a possible licensing arrangement between CONVOLVE and COMPAQ ("Purpose").

3. The parties acknowledge that the above-described confidential and/or proprietary information ("Information") is claimed to be a valuable, special, and unique asset of the party disclosing such Information ("Disclosing Party"). Accordingly, COMPAQ and CONVOLVE agree that, for a period of four (4) years from the date any such Information is disclosed, the party or parties receiving such Information ("Receiving Party") will:

   (a) maintain the Disclosing Party's Information in confidence;
   (b) not use any such Information received from the Disclosing Party except for the above-stated Purpose;
   (c) disclose such Information received from the Disclosing Party only to its employees and subcontractors that have a need to know such Information in order to fulfill the Purpose; and
   (d) not disclose any portion of the Information received from the Disclosing Party to any party not a signatory of this Agreement, without the prior written consent of the Disclosing Party, even if such third party is under similar restriction on disclosure with the Disclosing Party.

4. Each party agrees to use the same degree of care to protect the confidentiality of all Information it receives as it uses to protect its own confidential and proprietary information which it does not wish to have published or disseminated. However, in no event shall the parties use less than a reasonable degree of care to protect the Information received from the Disclosing Party. Each party further agrees that without written consent from the other party, it will not electronically record any conversation or meeting with the other party's personnel or photograph any facility or premises of the other party.

5. Information disclosed by the Disclosing Party that such Disclosing Party, in good faith, regards as confidential and/or proprietary shall be clearly marked as "Confidential," "Proprietary," or bear any other appropriate notice indicating the sensitive nature of such Information. Any Information not easily marked, including Information which may be orally disclosed, shall, within thirty (30) days of its disclosure, be summarized in writing and designated confidential by the Disclosing Party.

6. Information shall not be afforded the protection of this Agreement if such Information:

   (a) has been, is now, or later becomes publicly available through no fault of the Receiving Party;
   (b) has been, is now, or later becomes rightfully learned by the Receiving Party from a third party who is not under restriction or duty imposed by the Disclosing Party or any other third party;
   (c) was known to the Receiving Party prior to the date it received such Information from the Disclosing Party, and can be proven by written records; or,

(d) has been, is now, or later is independently developed by the Receiving Party without use of or resort to such Information, and can be so proven by written records.

7. If only a portion of the Information falls under one of the above Subsections 6(a) - 6(e), then only that portion shall be excluded from the terms and conditions of this Agreement.

8. If the Receiving Party is confronted with legal action to disclose Information received under this Agreement, the Receiving Party shall promptly notify the Disclosing Party, and reasonably assist the Disclosing Party in obtaining a protective order requiring that any portion of the Information required to be disclosed be used only for the purpose for which a court issues an order, or for such other purposes as required by law.

9. All Information disclosed under this Agreement shall remain the property of the Disclosing Party. At the Disclosing Party's request, all Information received by the Receiving Party in tangible form shall be promptly returned or destroyed.

10. Without limiting any other provision of this Agreement, COMPAQ will not (and will not cause or solicit any third party to) use Information of CONVOLVE to reverse engineer, further develop, improve upon or design-around CONVOLVE's intellectual property rights, and COMPAQ will not seek intellectual property rights of any kind (including without limitation patent or copyright protection) involving Information of CONVOLVE or derivations or improvements thereof.

11. The obligations under this Agreement shall not be construed to limit the Receiving Party's right to independently develop or acquire products unrelated to the Information of the Disclosing Party, as long as such development or acquisition is not in violation of this Agreement. This Agreement shall not be deemed to grant to any of the parties a license under any of the other parties' copyrights, patents or other intellectual property rights.

12. All notices required to be given shall be considered as given upon certified or registered mailing, if postpaid and addressed as follows (unless the addresses have been changed by written notice):

Compaq Computer Corporation
Attention: Legal Department
P. O. Box 692000
MC110701
Houston, TX 77269-2000
Phone: 281-514-1336 Fax:281-518-8517

Convolve, Inc.
Attention: Neil Singer
132 Nassau Street, suite 400
NY, NY 10038
Phone: 212-267-6775 Fax: 212-349-2425

13. This Agreement shall be interpreted in accordance with the laws of the State of Texas.

14. The parties agree to adhere to all applicable Export Laws and Regulations of the United States and that absent any required prior authorization from the office of Export Licensing, U.S. Department of Commerce, they will not knowingly export or re-export (as defined in Part 779 of the Export Administration Regulations), directly or indirectly, through their affiliates, licensees, or subsidiaries, any of the Information (or any product, process, or service resulting directly therefrom) they receive under this or any ancillary agreements, to Country Groups D1, E1, E2, or Iran, Syria, Sudan or any other country hereafter restricted by the U.S. law or governmental order. The parties agree that in no event shall Information be exported unless strictly necessary to fulfill the purposes of this Agreement.

15. This Agreement embodies the entire understanding between the parties pertaining to the subject matter hereof. The parties acknowledge that they are not relying on any representation, promise, or other statement, whether written or oral, that is not expressly contained in this Agreement. No party shall be obliged by this Agreement to purchase the goods and/or services of any other party. This Agreement shall not be modified except by a writing duly executed by, or on behalf of, the party against whom such modification is sought to be enforced.

16. IN WITNESS WHEREOF, the persons signing below warrant that they are duly authorized to sign for, and on behalf of, the respective parties. This Agreement has been executed in triplicate originals.

COMPAQ COMPUTER CORPORATION	CONVOLVE, INC.
By: Mark Heerema	By:
Name: Mark Heerema	Print Name: NOEL SINGER
Title: Dir Engr Data Products	Print Title: PRESIDENT
Date: 10/16/98	Date: 10/16/98

JP

PLEASE RETURN ONE FULLY-SIGNED ORIGINAL OF THIS AGREEMENT TO
COMPAQ COMPUTER CORPORATION
ATTENTION: CONTRACT RELATIONS, P. O. BOX 692000, MC 100203, HOUSTON, TX 77269-2000

EXHIBIT B

Seagate

No. 3507.10.98

SEAGATE TECHNOLOGY, INC.
RECIPROCAL NONDISCLOSURE AGREEMENT

In order to protect certain confidential and proprietary information (Confidential Information,) Seagate Technology, Inc. ("Seagate") and the "Company" identified below, agree that:

1. Effective Date: The effective date of this agreement shall be October 14, 1998.

2. Description of Confidential Information: The Confidential Information under this Agreement is described as:
Seagate: Business and technical information related to servo systems for disc drives, including: present and future product plans, specifications and drawings.
Company: Feed forward and closed loop techniques for improving disc drive seek and settle performance.
(Note: Be specific; attach additional sheets if necessary)

3. Purpose of Confidential Information: The party receiving Confidential Information ("Recipient") shall make use of the Confidential Information only for the following purpose (e.g., "evaluation and testing"):
Seagate: Evaluation and testing
Company: Evaluation and testing

4. Agreement Period: This Agreement controls Confidential Information which is disclosed between the Effective Date and December 31, 2000.

5. Confidentiality Period: A Recipient's duty to protect Confidential Information expires three (3) years from end of Agreement Period.

6. Standard of Care: Except as provided in the Exclusions section herein, the Recipient (i) shall treat the Confidential Information received as strictly confidential and (ii) shall not divulge, directly or indirectly, to any other person, firm, corporation, association, or entity, for any purpose whatsoever, such Confidential Information and (iii) shall not make use of such Confidential Information without prior written consent of the disclosing party. Such Confidential Information may be disclosed only to the employees or consultants of the Recipient who reasonably require access to such information for the purpose of which it was disclosed and who have secrecy obligations to the Recipient.

7. Markings: All Confidential Information which is subject to the terms and conditions of this Agreement shall be clearly marked in writing by the disclosing party as "CONFIDENTIAL," "SECRET" or with a comparable legend, which is the standard used by the disclosing party to protect it's own Confidential Information. No party shall have any responsibility under this Agreement for any information which is not so marked in writing at the time of disclosure. Nor shall any party have any responsibility under this Agreement for any oral or visual disclosures, except (i) as to information designated as confidential at the time of oral or visual disclosure and (ii) confirmed in a writing delivered within twenty (20) days to the Recipient which provides clear notice of the claim of confidentiality and describes the specific information disclosed.

8. Exclusions: The obligations set forth in the Standard of Care section herein, shall in no way restrict or impair the right of the Recipient to disclose or use any information: (i) which at the time of disclosure is published or is otherwise in the public domain; (ii) which after disclosure becomes part of the public domain otherwise than through a breach of confidence or confidentiality; (iii) which was known to the Recipient prior to receipt from the disclosing party, provided such prior knowledge can be adequately substantiated by documentary evidence antedating the disclosure by the other party; (iv) which is disclosed to the Recipient by a third party (other than employees or agents of either party) which in making such information available to the Recipient, is not in violation of any obligation of confidentiality to the disclosing party; (v) which is independently developed by the Recipient; or (vi) which is disclosed pursuant to an order or requirement of a court, administrative agency, or other governmental body.

Miscellaneous

9. Upon request of the disclosing party, any written information subject to this Agreement shall be returned to the disclosing party. The obligations of the Confidentiality Period and Standard of Care, sections herein survive the return or destruction of the Confidential Information during the Confidentiality Period.

10. Except as provided herein, no right or license whatsoever, either express or implied, is granted to either party pursuant to this Agreement under any patent, patent application, copyright, trademark, mask work, trade secret, or other proprietary right now or hereafter owned or controlled by the other party.

11. Recipient agrees that the other party owns all inventions or works of authorship derived from other party's Confidential Information and further agrees to protect the intellectual property embodied in said inventions and works of authorship.

12. Each party agrees that the Confidential Information is subject to the Export Laws and Regulations of the United States and shall not export, reexport or transship, directly or indirectly, such information to Country Groups D1, E1, E2 and Iran and Syria, or any other country hereafter restricted by the U.S. Government, without first obtaining U.S. governmental approval.

13. This Agreement will be governed under the laws of the State of California, without regards to its conflict laws principles.

CONVOLVE, INC.
132 Nassau Street, Suite 400
New York, Ny 10038

By (Duly Authorized)

Neil Singer
Typed Name

President
Title and Date

SEAGATE TECHNOLOGY, INC.
920 Disc Drive
Scotts Valley, CA 95066

By (Duly Authorized)

Edward P. Heller, III
Typed Name

10/22/98
Patent Counsel
Title and Date

Seagate Originator: Miran Sedlacek

EXHIBIT C

Want to send this story to another AOL member? Click on the heart at the top of this window.

Seagate 'Sound Barrier Technology' Delivers Quietest Desktop Disc Drives

6-7

New Acoustics Tool Optimizes Drives for Quiet Operation in Consumer Devices

While Supporting Higher Performance for Conventional Computing

SCOTTS VALLEY, Calif., June 7 /PRNewswire/ -- Seagate Technology, Inc. (NYSE: SEG) today unveiled its "sound barrier technology" (SBT), a set of features that optimizes disc drives for quiet operation. SBT includes a silent seek mode that can be configured during manufacturing or enabled by a user. Now, the PC or other host can tell a disc drive to perform in quiet mode for home entertainment applications, or to deliver faster seeks for business applications where data must be gathered quickly from various sectors on the disc drive. For the first time, SBT lets PC makers, system integrators and even end users select acoustics and performance profiles on the fly for diverse applications, from audio/video programming on television set-top boxes and other home entertainment devices, to high-performance data intensive business applications. Silent seek mode can be controlled through tools using the new standard ATA specification called Automatic Acoustic Management (AAM). Silent seek mode and support for AAM will be standard on all new Seagate personal storage products, including the U Series 5, the world's quietest hard drive for mainstream desktop computers and Personal Video Recorders.

SBT includes many other features that are implemented on today's Seagate personal storage devices. SeaShield drive covers and designed-in dampers provide noise reduction for both idle and seek modes. Resonance reduction and other testing and modeling techniques have resulted in mechanical design optimizations which reduce drive idle and seek noise emissions. Just-in-Time seeks, which reduce acoustics and power consumption during many seeks, are implemented on today's U10 drives. Investments in Fluid Dynamic Bearing spindle motors, isolator mounting systems, and chassis designs with Seagate's strategic customers have all resulted in quieter systems, both for today and in the future. Now, SBT lets Seagate's OEM customers or end users control technology that is resident on Seagate disc drives, including adaptable seeking algorithms and intelligence, to reduce the noise a drive makes while reading and writing information.

"Seagate has invested heavily for many years in research and development in a wide variety of acoustic technologies and methods," said Steve Luczo, Seagate's CEO. "With 'sound barrier technology,' a single Seagate disc drive now provides the speed that's necessary for today's business applications with the option of a quiet drive mode for exciting entertainment applications -- without the overall performance loss of modifications like reduced spindle speeds."

"Compaq welcomes Seagate's 'sound barrier technology' support for AAM and silent seeks," said Keith LeFebvre, Director, Commercial Desktop and Workstation Product Marketing Compaq. "Seagate's SBT helps Compaq bring the total acoustics emitted by PC systems down to imperceptible levels, while still affording the performance our customers expect from their business applications. Seagate drives with SBT acoustic controls will be incorporated into Compaq's upcoming commercial products."

"Seagate's 'sound barrier technology' advances storage technology as it moves into new markets such as consumer electronics," said John Donovan, Vice President at TrendFOCUS, a Palo Alto-based market intelligence firm. "By making these acoustic features available in the personal data storage market, Seagate continues its long history as a leader in disc drive technology and provides consumer-friendly storage technology on a much broader scale."

Seagate's SBT technology provides a variety of features and options to reduce acoustic emissions, supplementing the performance, robustness, and cost benefits that customers have come to expect from Seagate personal storage products.

Seagate Technology, Inc. is a leading provider of the Internet infrastructure enabling people to store, access, and manage information. The Company is committed to providing best-in-class products to help people get information when, where and how they want it. Seagate is the world's largest manufacturer of disc drives, magnetic discs and read-write heads, an innovator

in tape drives, Storage Area Network (SAN) solutions and a leading developer of Business Intelligence software. Seagate can be found around the globe and at http://www.seagate.com. For automated news, stock and financial information by phone, dial toll-free 877-SEG-NYSE. Outside the U.S. and Canada, dial 760-704-4368.

NOTE: Seagate and Seagate Technology are registered trademarks of Seagate Technology, Inc. All trademarks are the property of their respective owners.

This release contains forward-looking statements relating to delivery of "sound barrier technology" and SeaStream technology. These forward-looking statements are based on current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of the Company to successfully develop and market "sound barrier technology" and SeaStream technology. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

SOURCE Seagate Technology, Inc.

CO: Seagate Technology, Inc.

ST: California

IN: CPR

SU: PDT

07/2000 07:55 EDT http://www.prnewswire.com

EXHIBIT D

NEWS RELEASE

For Immediate Release

For further information contact
John Paulsen
831-439-2499

SEAGATE BREAKS SOUND BARRIER WITH SOFTSONIC MOTOR; FASTEST PC HARD DRIVE IN HISTORY IS VIRTUALLY SILENT

Barracuda ATA IV is first with 40-Gbytes per disc and 7,200-rpm performance

SCOTTS VALLEY, Calif. — 27 June 2001 — Seagate today launched the fastest PC hard drive ever, the Barracuda. ATA IV. The kicker: a revolutionary SoftSonic□ Fluid Dynamic Bearing (FDB) motor makes the super-fast drive the world's only virtually silent hard drive. Barracuda ATA IV is the only desktop disc drive shipping exclusively with FDB motors □ a technology that will also enable engineers to fit more data on a disc surface and increase hard drive spin speeds far beyond what traditional motors allow. The drive is in volume production.

Using the most advanced data density technology in the industry, Barracuda ATA IV is the first 7,200-rpm disc drive to achieve 80 Gbytes using only two discs, giving Seagate a significant advantage in the high-performance PC storage market. The drive's record-breaking internal transfer rate □ 69.3 Mbytes per second □ is fast enough to copy an hour of MP3 music in under one second. Barracuda ATA IV is fast enough to stream eight movies simultaneously, in DVD quality, without dropping a frame.

The SoftSonic motor is a new feature of Seagate's sound barrier technology (SBT), and an engineering breakthrough that computer users of all kinds can appreciate. Using industry-standard tests, the Barracuda ATA IV one-disc model emits only 2.0 bels while spinning and 2.4 bels while seeking; the human ear can't hear sounds below 2.5 bels. By putting the SoftSonic motor in its fastest PC hard drive, Seagate blends silence with speed to let consumers more fully enjoy audio/video PC entertainment, and to help others work undisturbed by background noise. Seagate's SBT also reduces noise using specialized seek algorithms, SeaShield. and internal dampers, resonance reduction, spin commutation and other mechanical and materials design optimizations.

"Seagate is ahead of the industry with the Barracuda ATA IV disc drive, and clearly aims to be a major force in high-performance PC storage. Seagate's SoftSonic FDB motor is a genuine breakthrough in quiet operation," said Mark Geenen, President of TrendFocus, the leading data storage market research firm. "Barracuda ATA IV is the fastest ATA drive to date, which makes

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español
français
italiano

a solid all-around solution for performance PCs and entry-level RAID and server applications. Its early launch could help Seagate gain a stronger position than ever in this market."

"Silence has been a sort of 'holy grail' in PC engineering circles," noted Gunter Heine, who led Seagate's motor engineers in creating the SoftSonic motor. "Now we've devised a breakthrough that makes it real. We're also gratified to know our motor will enable higher capacities and spin speeds in the future, because of its reduced vibration, low non-repeatable runout and minimal heat output. We made the world's first FDB motor for hard drives in 1996, and we're proud to have advanced it through four generations of product."

The Barracuda ATA disc drive family has earned more praise in the worldwide press than any other 7,200-rpm drive, and has won editors' choice awards at leading technology publications including *Byte, MacWorld, PC Magazine, PC Today, Smart Computing* and *ZDNet*. Barracuda ATA IV offers fast internal transfers up to 555 Mbits per second, an 8.9 msec average seek time, a large 2-Mbyte cache, and the Ultra ATA/100 interface for burst transfer rates up to 100 Mbytes per second. The drive features the 3D Defense System□, the industry's best disc, data and diagnostic protection, making it the toughest and most reliable 7,200-rpm drive. Barracuda ATA IV is the most advanced disc drive available for high-performance PCs, gaming PCs, cost-effective network-attached storage, entry-level servers and ATA RAID systems.

Seagate is the world's leading provider of storage technology for Internet, business and consumer applications. The Company's products include disc drives for the Enterprise, PCs and Consumer Electronics, as well as Storage Area Network (SAN) solutions and Server Appliances. Seagate's market leadership is based on delivering award-winning products, customer support and reliability to meet the world's growing demand for information storage. Seagate can be found around the globe and at www.seagate.com.

Seagate, Seagate Technology, Barracuda and SeaShield are registered trademarks of Seagate Technology LLC. SoftSonic and 3D Defense System are trademarks of Seagate Technology LLC. All other trademarks are the property of their respective owners.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Index No. 00 Civ. 5141 (JSM)

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC.,

Defendants.

AMENDED COMPLAINT

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Attorneys for Plaintiffs

EXHIBIT F

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April 16, 2002

VIA FACSIMILE

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Re: Convolve, Inc., et al. v. Compaq Computer Corp., et al.
00 Civ. 5141 (JSM)
Our File 2950.5000

Gentlemen:

Pursuant to our telephone discussion on April 10, I have prepared a schedule for this case with respect to a potential Markman hearing and discovery in general.

In preparing the Order I have attempted to accommodate plaintiffs' counsel's concern about a premature commitment to a claim construction, and defendant's counsel's concern about undue delay or "sandbagging" with regard to claim construction. I have also attempted to schedule the discovery to be generally consistent with the parties' previously submitted proposals.

Obviously, I cannot commit the Court to schedule a Markman hearing or that he will do so on a particular date. Therefore, I have left that issue to the discretion of the Court when the process I have outlined is completed.

I had asked in our last conversation that Mr. Akerley send me a copy of the transcript of the Status Conference before Judge Martin, but that has not yet been received. Therefore, I have set this schedule based on my understanding from our conversation that the Court wanted me to

establish the schedule rather than present it to him for review and approval. If that is incorrect, please let me know.

Very truly yours,

Pasquale A. Razzano

PAR/djs
Enclosure

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,	:	
Plaintiffs,	:	Index No. 00 Civ. 5141 (JSM)
v.	:	
COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,	:	
Defendants.	:	

SPECIAL MASTER'S REPORT RE
SCHEDULING AND DISCOVERY

Pursuant to the telephone conference held April 10, 2002 between counsel for the parties and the Special Master, and in view of the Court's direction that the Special Master set a discovery schedule, the Special Master directs that the parties shall comply with the schedule set forth below relating both to discovery and preparation for a Markman hearing. Both schedules are to be followed concurrently and the fact that an act to be performed or a discovery requirement appears in the "Markman Schedule" is not to be construed as permitting delay of discovery otherwise due based on regularly served discovery requests pursuant to the Federal Rules of Civil Procedure.

MARKMAN SCHEDULE

1. Plaintiffs must serve on Seagate and Compaq a "Disclosure of Asserted Claims and Preliminary Infringement Allegations" no later than May 7, 2002. Separately for each defendant, the "Disclosure of Asserted Claims and Preliminary Infringement Allegations" will contain the following information:

(a) Each claim of each patent in suit that is allegedly infringed by each defendant;

(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality ("Accused Instrumentality") of each defendant of which plaintiffs are aware. This identification shall be as specific as possible. Each product, device and apparatus must be identified by name or model number, if known. Each method or process must be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;

(c) A chart identifying specifically where each element of each asserted claim is found within each Accused Instrumentality, including for each element that plaintiffs believe is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function.

(d) Whether each element of each asserted claim is claimed to be literally present or present under the doctrine of equivalents in the Accused Instrumentality; and

(e) For any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled.

2. With the "Disclosure of Asserted Claims and Preliminary Infringement Contentions," plaintiffs must produce to Seagate and Compaq or make available for inspection and copying:

(a) Documents (e.g., contracts, purchase orders, invoices, advertisements, marketing materials, offer letter, beta site testing agreements, and third party or joint development agreements) sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell or license, the claimed invention prior to the date of application for the patents in suit. A party's production of a document as required herein shall not constitute an admission that such document evidences or is prior art under 35 U.S.C. § 102.

(b) All documents evidencing the conception, reduction to practice, design, and development of each claimed invention, which were created on or before the date of application for the patents in suit or the priority date identified pursuant to item 1(e) above, whichever is earlier; and

(c) A copy of the file history for each patent in suit.

Plaintiffs will separately identify by production number which documents correspond to each category.

3. Not later than June 21, 2002 Seagate and Compaq will serve on all parties their respective "Preliminary Invalidity Allegations" which must contain the following information:

(a) The identity of each item of prior art that allegedly anticipates each asserted claim or renders it obvious. Each prior art patent must be identified by its number, country or origin, and date of issue. Each prior art publication must be identified by its title, date of publication, and where feasible, author and publisher. Prior art under 35 U.S.C. § 102(b) must be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity of the person or entity which made the use or which made and received the offer, or the person or entity which made the information known or to whom it was made known. Prior art under 35 U.S.C. § 102(f) must be identified by providing the name of the person(s) from whom and the circumstances under which the invention or part of it was derived. Prior art under 35 U.S.C. § 102(g) must be identified by providing the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applicant(s);

(b) Whether each item of prior art anticipates each asserted claim or renders it obvious. If a combination of items of prior art makes a claim obvious, each such combination, and the motivation to combine such items, must be identified;

(c) A chart identifying where specifically in each alleged item of prior art each element of each asserted claim is found, including for each element that the defendant alleges is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in each item of prior art that performs the claimed function; and

(d) Any grounds of invalidity based on indefiniteness under 35 U.S.C. § 112(2) or enablement or written description under 35 U.S.C. § 112(1) of any of the asserted claims.

4. With the "Preliminary Invalidity Contentions," Seagate and Compaq must produce or make available for inspection and copying, to the extent not previously produced:

(a) Source code, specifications, schematics, flow charts, artwork, formulas, or other documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality identified by the plaintiffs in their infringement allegations chart; and

(b) A copy of each item of prior art identified pursuant to the invalidity allegations which does not appear in the file history of the patents at issue. To the extent any such item is not in English, an English translation of the portion(s) relied upon must be produced.

5. (a) Contention interrogatories may be served beginning June 7, 2002.

(b) All fact discovery with respect to patent validity and infringement shall be completed by August 23, 2002.

(c) The parties are reminded of their continuing obligation under the Federal Rules of Civil Procedure to supplement their discovery responses and their production of documents and things, particularly as required in Paragraphs 1-4 above, before the August 23rd cutoff date.

6. Not later than September 6, 2002 plaintiffs must serve on each defendant their "Final Disclosure of Asserted Claims and Infringement Allegations" containing the information called for in Paragraph 1 above.

7. Not later than September 20, 2002 Seagate and Compaq will serve on all parties their respective "Final Invalidity Allegations" containing the information called for in Paragraph 1 above and, with respect to any patent claims newly asserted in Plaintiffs' Final Disclosure of Asserted Claims and Infringement Allegations, the documents called for in Paragraph 4 above to the extent not previously produced with their Preliminary Invalidity Allegations or under their continuing duty to disclose or supplement.

8. (a) Not later than September 30, 2002 each party will simultaneously exchange a list of claim terms, phrases or clauses which that party contends should be construed by the Court and identify any claim element which that party contends should be governed by 35 U.S.C. § 112(6).

(b) The parties will thereafter meet and confer for the purposes of finalizing this list, narrowing or resolving differences, and facilitating the ultimate preparation of a Joint Claim Construction and Prehearing Statement.

9. (a) Not later than October 11, 2002 the parties will simultaneously exchange a preliminary proposed construction of each claim term, phrase or clause which the parties collectively have identified for claim construction purpose. A party's "Preliminary Claim Construction" will also, for each element which that party contends is governed by 35 U.S.C. § 112(6), identify the structure(s), act(s) or material(s) corresponding to that element.

(b) At the same time the parties exchange their respective "Preliminary Claim Constructions," they will each also provide a preliminary identification of extrinsic

evidence, including without limitation, dictionary definitions, citations to learned treatises and prior art, and testimony of percipient and expert witnesses they contend support their respective claim construction. The parties must identify each item of extrinsic evidence by production number or produce a copy of any such item not previously produced. With respect to any witness, percipient or expert, the parties must also provide a brief description of the substance of that witness' proposed testimony.

(c) The parties will thereafter meet and confer for the purposes of narrowing the issues and finalizing preparation of a Joint Claim Construction and Prehearing Statement.

10. Not later than October 18, 2002 the parties will complete and file a Joint Claim Construction and Prehearing Statement, which contains the following information:

(a) The construction of those claim terms, phrases or clauses on which the parties agree;

(b) Each party's proposed construction of each disputed claim term, phrase or clause, together with an identification of all references from the specification or prosecution history that support that construction, and an identification of any extrinsic evidence known to the party on which it intends to rely either to support its proposed construction of the claim or to oppose any other party's proposed construction of the claim, including, but not limited to, as permitted by law, dictionary definitions, citations to learned treatises and prior art, and testimony of percipient and expert witnesses;

(c) The anticipated length of time necessary for a Claim Construction Hearing;

(d) Whether any party proposes to call one or more witnesses, including experts, at a Claim Construction Hearing, the identity of each witness, and for each expert, a summary of each opinion to be offered in sufficient detail to permit a meaningful deposition of that expert; and

(e) A list of any other issues which might appropriately be taken up at a prehearing conference prior to a Claim Construction Hearing, and proposed dates, if not previously set, for any prehearing conference.

11. Not later than November 18, 2002 the parties will complete all discovery relating to claim construction, including any depositions with respect to claim construction of any witnesses, including experts, identified in the Joint Claim Construction and Prehearing Statement.

12. (a) Not later than December 2, 2002 plaintiffs will serve and file an opening brief and any evidence supporting their claim construction.

(b) Not later than December 16, 2002 defendants will serve and file their responsive briefs and supporting evidence.

(c) Not later than December 23, 2002 plaintiffs will serve and file any reply brief and any evidence directly rebutting the supporting evidence contained in defendants' responses.

13. Any Claim Construction Hearing will be conducted, if at all, at the convenience and discretion of the Court.

14. Each party's "Final Disclosure of Asserted Claims and Infringement Contentions" and "Final Invalidity Contentions" shall not be amended or revised, except as set forth below:

(a) If a party claiming patent infringement believes in good faith that the Court's Claim Construction Ruling so requires, not later than 30 days after service by the Court of its Claim Construction Ruling, that party may serve "Amended Infringement Contentions" without leave of Court that amend its "Final Infringement Contentions" with respect to the information required by Paragraphs 1(c) and (d) above.

(b) Not later than 50 days after service by the Court of its Claim Construction Ruling, each party opposing a claim of patent infringement may serve "Amended Invalidity Contentions" without leave of Court that amend its "Final Invalidity Contentions" with respect to the information required by Paragraph 3 if:

(1) a party claiming patent infringement has served "Amended Infringement Contentions," or

(2) the party opposing a claim of patent infringement believes in good faith that the Court's Claim Construction Ruling so requires.

(c) Further amendment or modification of the Final Infringement Contentions or the Final Invalidity Contentions, other than as expressly permitted in

paragraphs 14(a) and (b) above may be made only by order of the Court, which shall be entered only upon a showing of good cause.

DISCOVERY SCHEDULE

Discovery will proceed in parallel with the claim construction procedure.

1. Fact discovery on all issues other than damages and willful infringement, will be completed by October 15, 2002.

2. All depositions, with the exception of expert depositions and depositions related to damages and willful infringement, will be completed by November 15, 2002.

3. By November 15, 2002, each defendant that will rely on an opinion of counsel as part of a defense to a claim of willful infringement must:

(a) Produce or make available for inspection and copying the opinion(s) as to which that defendant agrees the attorney-client or work product protection has been waived; and

(b) Unless previously produced in response to discovery requests, serve a privilege log identifying any other documents, except those authored by counsel acting solely as trial counsel, relating to the subject matter of the opinion(s) which the defendant is withholding on the grounds of attorney-client privilege or work product protection.

4. All non-expert discovery related to damages and willful infringement, including depositions, will be completed by December 15, 2002.

5. Opening expert reports on issues for which a party bears the burden of proof will be exchanged on January 6, 2003.

6. Rebuttal expert reports will be exchanged on January 20, 2003.

7. All expert depositions will be completed by February 20, 2003.

8. Dispositive motions will be filed no later than March 14, 2003.

9. Thereafter, trial will be set subject to the convenience of the Court's calendar.

Dated: April 16, 2002

Pasquale A. Razzano
Special Master

EXHIBIT G

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Plaintiffs, - against - COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC., Defendants.	00 Civ. 5141 (GBD) (JCF) O R D E R

JAMES C. FRANCIS IV
UNITED STATES MAGISTRATE JUDGE

A pretrial conference having been held on September 8, 2004, it is hereby ORDERED as follows:

1. Maxtor shall appear at a time to be agreed upon by counsel for the completion of its deposition. The examination shall be limited in duration to four hours and in scope to the subjects set forth in the notice of deposition. The continued deposition shall consist of cross-examination by Convolve's counsel and, if necessary, very brief redirect examination by Seagate's counsel.

2. Convolve's application to compel Seagate and Compaq to produce forthwith all documents subject to disclosure under my May 28, 2004 Memorandum and Order (the "Order"), except those which are communications with or work product of trial counsel, is granted. Although the defendants have lodged objections to the Order, those objections are fairly read as addressed only to those aspects of the Order relating to trial counsel. None of the defendants' substantive arguments refer, for example, to those aspects of the Order requiring disclosure of communications with or documents

generated by in-house counsel.

3. Counsel shall meet and confer concerning the dedesignation of documents that the defendants have identified as supersensitive. Failing agreement on a protocol for reviewing document designations, Convolve may move for an order removing the supersensitive designation from the documents they consider wrongly designated, with costs, including attorneys' fees, to be awarded to the prevailing party.

SO ORDERED.

James C. Francis IV

JAMES C. FRANCIS IV
UNITED STATES MAGISTRATE JUDGE

Dated: New York, New York
September 8, 2004

Copies mailed this date:

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EXHIBIT H

DOC # 60

U.S. DISTRICT COURT FILED JUL 12 2006 S.D. OF N.Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,

Defendants.

----------x

ORDER

00 CV 5141 (GBD)

GEORGE B. DANIELS, District Judge:

Defendant Seagate Technology LLC's September 27, 2004 motion for an order pursuant to Fed. R. Civ. P. 72(a) sustaining its objections to, and overruling, the September 8, 2004 Order issued by Magistrate Judge Francis is DENIED.

Dated: New York, New York
July 11, 2006

SO ORDERED:

George B. Daniels

GEORGE B. DANIELS
United States District Judge

MICROFILM
JUL 12 2006 12:02 PM

EXHIBIT I

DOC # 330

U.S. DISTRICT COURT
FILED
JAN 12 2005
S.D. OF N.Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiff,

- against -

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY, INC.,

Defendants.

----------x

ORDER

00 Civ. 5141 (GBD)(JCF)

GEORGE B. DANIELS, District Judge:

Defendant Compaq Computer Corp.'s September 27, 2004 motion for an order pursuant to Fed. R. Civ. P. 72(a) sustaining its objections to, and overruling, the September 8, 2004 Order issued by Magistrate Judge Francis is DENIED.

Dated: New York, New York
January 7, 2005

SO ORDERED:

George B. Daniels
GEORGE B. DANIELS
United States District Judge

305

MICROFILM
JAN 13 2005
9:00 AM

EXHIBIT J

McDermott Will&Emery

MEMO ENDORSED

Boston Brussels Chicago Düsseldorf London Los Angeles Miami Milan
Munich New York Orange County Rome San Diego Silicon Valley Washington, D.C

Stephen J. Akerley
Attorney at Law
sakerley@mwe.com
650.813.5102

#511

July 24, 2006

VIA FACSIMILE

Honorable James C. Francis IV
United States Magistrate Judge
for the Southern District of New York
United States Courthouse
500 Pearl Street, Room 1960
New York, New York 10007

Re: *Convolve, Inc. and Massachusetts Institute of Technology v. Compaq Computer Corporation and Seagate Technology LLC*, Case No. 00 Civ. 5141 (GBD)(JCF)

Dear Magistrate Judge Francis:

We represent Seagate Technology LLC in the above-referenced action. We write in regard to Judge Daniels' two Orders dated July 11, 2006 denying (1) Seagate's July 26, 2004 objections to your May 28, 2004 Memorandum and Order and (2) Seagate's Sept. 27, 2004 objections to your Sept. 8, 2004 Order, respectively.

Seagate is considering whether to petition the Federal Circuit for a writ of mandamus in view of the issues presented by the Orders. If Seagate so petitions, Seagate will do so by August 11, 2006. Seagate respectfully requests a stay of your May 28, 2004 and Sept. 8, 2004 Orders until August 11, 2006, and, if Seagate files a petition on or before August 11, 2006, Seagate requests that the stay be extended until the Federal Circuit resolves Seagate's writ petition. *See, e.g., Potamkin Cadillac Corp. v. B.R.I. Coverage Corp.*, No. 87 Civ. 5583 (TPG), 1990 U.S. Dist. LEXIS 14001, at *1-2 (S.D.N.Y. Oct. 22, 1990) (stay of discovery order was granted pending conclusion of mandamus proceeding in Court of Appeals).

A stay is particularly needed in this case because the disclosure of privileged information will result in irreparable harm and thus vitiate the right to mandamus relief. *See In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1298, Misc. Dkt. No. 803, 2006 U.S. App. LEXIS 11162, at **5-6 (Fed. Cir. May 1, 2006) (petitioner retained the right to seek mandamus relief with respect only to portions of discovery orders compelling disclosure of privileged information with which petitioner had not complied), *reh'g and reh'g en banc denied*, 2006 U.S. App. LEXIS 17511 (Fed. Cir. July 5, 2006).

Plaintiffs will not be prejudiced by the grant of the stay because no trial date has been set in this case, and the parties have not yet begun the 12-month schedule of expert discovery. Accordingly, Seagate respectfully requests a stay of your Orders.

Respectfully submitted,

Stephen J. Akerley 1HK

Stephen J. Akerley

cc: Debra Brown Steinberg, Esq. (Via Facsimile)
Albert Jacobs, Esq. (Via Facsimile)
Robert Goldman, Esq. (Via Facsimile)
Robert Morris, Esq. (Via Facsimile)

MPK 112027-6.060936.0011

7/26/06
Application denied. Particularly in light of the Federal Circuit's decision in EchoStar, Seagate's chances of prevailing on a mandamus application are slim. Furthermore, Seagate has not shown that it is more likely to suffer prejudice than any other litigant whose claim of privilege has been overruled.

U.S. DISTRICT COURT FILED JUL 27 2006 S.D. OF N.Y.

SO ORDERED.
James C. Francis IV
USMJ

EXHIBIT K

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,

Defendants.

----------x

ORDER

00 CV 5141 (GBD)

GEORGE B. DANIELS, District Judge:

Defendants' Motion for an Emergency Stay of This Court's Orders of July 11, 2006 and Magistrate Judge Francis' Orders of May 28, 2004 and September 8, 2004 is denied.

Dated: New York, New York
September 14, 2006

SO ORDERED:

George B. Daniels

GEORGE B. DANIELS
United States District Judge

EXHIBIT L

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----------x

CONVOLVE, INC. and MASSACHUSETTS INSTITUTE OF TECHNOLOGY,

Plaintiffs,

-against-

COMPAQ COMPUTER CORP. and SEAGATE TECHNOLOGY LLC,

Defendants.

----------x

MEMORANDUM DECISION AND ORDER

00 Civ. 5141 (GBD)

GEORGE B. DANIELS, District Judge:

Seagate Technology LLC ("Seagate") moves for certification of an interlocutory appeal, pursuant to 28 U.S.C. § 1292(b), of two orders issued by Magistrate Judge Francis, and two motions denied by this Court, relating to defendants' obligation to produce certain communications to and from their respective trial attorneys, which are relevant to defendants' advice-of-counsel defense. The motion is denied.

Plaintiffs Convolve, Inc. and Massachusetts Institute of Technology (collectively "Plaintiffs") sued defendants Seagate and Compaq Computer Corp. ("Compaq") for, *inter alia*, willful patent infringement of certain patents owned by Plaintiffs. Both Seagate and Compaq asserted the advice-of-counsel defense, i.e., that they acted in good faith because they relied on the advice of counsel when engaging in the allegedly infringing conduct. Seagate and Compaq conceded that by asserting the advice-of-counsel defense, they waived the attorney-client privilege as to communications between them and the attorneys they hired to provide opinions on

the legality of their conduct.[1] Seagate and Compaq disputed, however, whether the waiver extended to communications to and from their respective trial attorneys. This Court referred the case to Magistrate Judge Francis for pre-trial supervision and for resolution of these discovery disputes.

Magistrate Judge Francis issued an order on May 28, 2004, published as Convolve, Inc. V. Compaq Computer Corp., 224 F.R.D. 98 (S.D.N.Y. 2004), holding that in asserting the advice-of-counsel defense, Seagate "waived the attorney-client privilege as to all communications not only with Mr. Sekimura, but also with its other attorneys, including trial counsel, concerning the subject matter of Mr. Sekimura's advice." Id. at 104. Therefore, Magistrate Judge Francis ordered Seagate to "produce all documents, answers to interrogatories, and deposition testimony concerning communications between Seagate (or its in-house counsel) and any of its attorneys, including trial counsel," related to the subject matter of the Sekimura Opinions. Id. At 105. Magistrate Judge Francis issued a second order, dated September 8, 2004, granting plaintiff Convolve's application to compel Seagate and Compaq to produce all documents subject to disclosure under the May 28th order.

Seagate moved, pursuant to Fed. R. Civ. P. 72(a), for an order by this Court sustaining its objections to, and overruling, the May 28th order. Seagate also sought an order by this Court, pursuant to Fed. R. Civ. P. 72(a), sustaining its objections to, and overruling, the Magistrate Judge's Sept. 8th order. Both of Seagate's Rule 72(a) motions were denied by this Court on July 11, 2006. Seagate now seeks certification of an interlocutory appeal of all four decisions.

---

[1]In Seagate's case, that attorney was Gerald T. Sekimura. His opinions will be referred to as the "Sekimura Opinions."

An interlocutory appeal is "a rare exception to the final judgement rule that generally prohibits piecemeal appeals," Koehler v. Bank of Bermuda, Ltd., 101 F.3d 863, 865 (2d Cir. 1996), and only "exceptional circumstances will justify a departure from the basic policy of postponing appellate review until after the entry of a final judgment, In re Flor, 79 F.3d 281, 284 (2d Cir. 1996) (citations and alteration omitted). Certification of an interlocutory appeal is appropriate only if the challenged order (1) involves a controlling issue of law, (2) as to which there is a substantial ground for difference of opinion, and (3) an immediate appeal from the order may materially advance the ultimate termination of the litigation. 28 U.S.C. § 1292(b); Taylor v. PPG Industries, Inc., 256 F.3d 1315, 1316 (Fed. Cir. 2001) (citing 28 U.S.C. § 1292(b)).

Seagate cannot satisfy the requirements of 28 U.S.C. § 1292(b). In this case, the orders at issue only address a pre-trial discovery dispute, namely, the scope of Seagate's waiver of the attorney-client and work-product privileges, a determination that lies within the sound discretion of the district court, see, e.g., In re EchoStar Communications Corp., 448 F.3d 1294, 1300 (Fed. Cir. 2006) ("We review the district court's determination as to the scope of the waiver for an abuse of discretion."), and "depends heavily on the factual context in which the privilege is asserted." In re Sealed Case, 877 F.2d 976, 981 (D.C. Cir. 1989); see also Wills v. Amerada Hess Corp., 379 F.3d 32, 41 (2d Cir. 2004) (stating that the district court has "broad discretion to direct and manage the pretrial discovery process"). Fact-dependent matters that are within the district court's discretion, such as the scope of a privilege waiver, do not involve a "controlling issue of law" under § 1292(b). See, e.g., White v. Nix, 43 F.3d 374, 376, 377-78 (8th Cir. 1994) (holding that the district court's order requiring production of documents claimed to be protected

by the attorney work product doctrine, a matter "committed to the district court's discretion," did not involve a controlling issue of law under § 1292(b) warranting certification for an interlocutory appeal); Casey v. Long Island R. Co., 406 F.3d 142, 146-47 (2d Cir. 2005) (holding that the district court's decision to set aside the jury award did not present a controlling issue of law warranting certification of an interlocutory appeal under § 1292(b) because the excessiveness of the jury's award "presents a question as to the proper evaluation of the evidence introduced at trial" and that evaluation "is accorded *deferential* review") (emphasis added); Schine v. Schine, 367 F.2d 685, 688 (2d Cir. 1966) (holding that an order denying defendants' motion for a separate trial did not meet the requirements for certification of an interlocutory appeal because "*whether the district court abused his discretion* in granting or denying a separate trial . . . may rarely, if ever, involve a 'controlling question of law'" under § 1292(b)) (emphasis added).

Nor has Seagate demonstrated that this is an extraordinary case warranting departure from the general rule that appeals may only be taken from final judgments. The material that Seagate is required to produce under the May 28th order is limited—only "documents, answers to interrogatories, and deposition testimony" that relate to the subject matter of the Sekimura Opinions must be produced. Convolve, Inc. 224 F.D.R. at 105. In addition, in an effort to minimize disclosure of trial or litigation strategy, any material that Seagate believes would reveal protected information can be submitted for *in camera* review. Even though Magistrate Judge Francis ordered the production of certain communications between Seagate and its trial counsel, he specifically provided:

> Nevertheless, care should be taken to minimize the disclosure of communications pertaining to trial or litigation strategy. To be sure, trial counsel's advise that undermines the reasonableness of the

> client's reliance on advice of opinion counsel must be disclosed even if it is communicated in the context of trial preparation. But, at the same time, trial counsel will surely address with the client trial strategy concerning validity, infringement, and enforcement in ways that do not implicate the advice-of-counsel defense. Therefore, to the extent that Seagate wishes to withhold or redact documents that would reveal trial strategy or planning, it shall submit those documents for my *in camera* review.

Convolve, Inc. 224 F.D.R. at 105. Seagate's opportunity to submit for *in camera* review any documents it "wishes to withhold or redact," makes this an issue not ripe for appellate review.

Seagate's motion for certification of an interlocutory appeal pursuant to 28 U.S.C. § 1292(b) is DENIED.

Dated: New York, New York
September 27, 2006

SO ORDERED:

George B. Daniels

GEORGE B. DANIELS
United States District Judge

LEXSEE

AMPEX CORPORATION, Plaintiff, v. EASTMAN KODAK COMPANY, ALTEK CORPORATION, and CHINON INDUSTRIES, INC., Defendants.

Civil Action No. 04-1373-KAJ

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

2006 U.S. Dist. LEXIS 48702

July 17, 2006, Decided

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff patent holder moved to compel all of defendants', competitors, attorney-client communications bearing on the subject of infringement, and wanted a log of all withheld materials relating to that subject. At the outset of the claim construction and summary judgment argument, the court denied the motion in a bench ruling. The instant order memorialized the bases for that ruling.

OVERVIEW: The claimed invention related to a digital electronic still store for broadcast television signals and more particularly to a still store providing a high speed multi-image scan or sort capability. After the competitor began selling digital cameras in the consumer electronics market, the patent holder wrote to the competitor and invited the competitor to discuss licensing the patent. After the first exchange, the competitor's in-house counsel undertook an analysis and, according to the competitor, concluded that the competitor did not infringe the patent. The patent holder argued that an advice-of-counsel defense in a patent case effected a wholesale waiver of privilege as to any communication that any attorney had with a client, so long as the communication touched on the same topic as the opinion on which the client relied to defend against a charge of willfulness. According to the patent holder's interpretation of case law, it mattered not when or in what context the subsequent communication occurred. The court was compelled to reject the patent holder's reading of case law as far too broad and because it amounted to a wholesale revision of the attorney-client privilege.

OUTCOME: The court's previous bench ruling was confirmed and the competitor's motion to compel was denied.

CORE TERMS: attorney-client, infringement, non-infringement, advice, written opinion, digital, patent, subject matter, electronic, advice-of-counsel, discovery, cameras, outside counsel, in-house, patent case, willfulness, licensing, confirmed, asserting, wholesale, consumer, withheld, selling, waive, log, odds, briefing, logical, shield, inside

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Civil Procedure > Appeals > Standards of Review > Abuse of Discretion
Evidence > Privileges > Attorney-Client Privilege > Waiver
[HN1] A district court's determination as to the scope of the waiver of the attorney-client privilege is reviewed under an abuse-of-discretion standard.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
[HN2] The attorney-client privilege cannot be used as a sword and a shield.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Evidence > Privileges > Attorney-Client Privilege > Waiver
[HN3] When a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter.

Civil Procedure > *Discovery* > *Privileged Matters* > *Attorney-Client Privilege*
Evidence > *Privileges* > *Attorney-Client Privilege* > *Waiver*
[HN4] With regard to attorney-client privilege it is not the form of the communication that matters, it is the content. If one receives advice of non-infringement and also receives an opinion on that same topic from another attorney, it would not matter on the question of waiver how the communication is labeled.

COUNSEL: [*1] For Ampex Corporation a Delaware corporation, Plaintiff: Jack B. Blumenfeld, Julia Heaney, Morris, Nichols, Arsht & Tunnell, Wilmington, DE; David R. Brightman, Gabrielle E. Higgins, James E. Hopenfeld, Karen A. Christiansen, Kelly L. Baxter, Norman H. Beamer, Ray R. Zado, Pro Hac Vice.

For Eastman Kodak Company a New Jersey corporation, Defendant: Collins J. Seitz, Jr., Jaclyn Michele Mason, Connolly, Bove, Lodge & Hutz, Wilmington, DE; Michael J. Summersgill, Pro Hac Vice.

For Chinon Industries Inc. a Japanese corporation, Altek Corporation a Taiwanese corporation, Defendants: Collins J. Seitz, Jr., Jaclyn Michele Mason, Connolly, Bove, Lodge & Hutz, Wilmington, DE.

For Altek Corporation a Taiwanese corporation, Eastman Kodak Company a New jersey corporation, Chinon Industries Inc. a Japanese corporation, Counter Claimants: Jaclyn Michele Mason, Connolly, Bove, Lodge & Hutz, Wilmington, DE.

JUDGES: Kent A. Jordan, UNITED STATES DISTRICT JUDGE.

OPINION BY: Kent A. Jordan

OPINION:

MEMORANDUM ORDER

Introduction

This is a patent case, presently set for trial on December 4, 2006. (Docket Item ["D.I."] 53 at P17.) The plaintiff, Ampex Corporation ("Ampex"), has filed [*2] a letter motion (D.I. 268; the "Motion") seeking to compel the defendants, Eastman Kodak Company, Altek Corporation, and Chinon Industries, Inc. (collectively "Kodak"), to disclose "all information communicated to ... [Kodak], or reflecting communications to ... [Kodak], on the same subject matter as their September 2, 2005 opinion of counsel;" and it further seeks an order requiring Kodak to "provide a log of all materials withheld on privilege or work-product grounds dated on or before April 11, 2006, the expiration date of the '121 patent in suit." (*Id.* at 1; D.I. 275 at 1.) In short, Ampex wants all of the attorney-client communications between Kodak and its trial counsel bearing on the subject of infringement, and it wants a log of all withheld materials relating to that subject. At the outset of the claim construction and summary judgment argument on July 13, 2006, I denied the Motion in a bench ruling. This memorandum order further memorializes the bases for that ruling.

Background n1

n1 The parties appear to be essentially in agreement on the background facts provided here, which are drawn primarily from the statements of fact provided in their letter submissions and briefing.

[*3]

On April 11, 1989, U.S. Patent No. 4,821,121 (the "'121 patent") issued and was assigned to Ampex. (D.I. 38 at Ex. 1.) It is entitled "Electronic Still Store with High Speed Sorting and Method of Operation." (*Id.*) The claimed invention "relates to a digital electronic still store for broadcast television signals and more particularly to a still store providing a high speed multiimage [sic] scan or sort capability." (*Id.* at col. 1, ll. 11-14.) In 2001, twelve years after the patent issued, and five years after Kodak began selling digital cameras in the consumer electronics market, Ampex wrote to Kodak and invited Kodak to discuss (or, according to one's perspective, demanded that Kodak discuss) licensing the '121 patent. n2 (D.I. 275 at 3; D.I. 312 at 3.)

N2 Kodak notes that, while it entered the consumer market for digital cameras in 1996, it had been selling digital cameras to photography professionals since 1991. (D.I. 312 at 3.) Ampex contends that Kodak was aware of the patent since at least 1992, when an in-house counsel at Kodak came across the patent and flagged it for further study. (*See* D.I. 275 at 3.)

[*4]

Kodak exchanged letters with Ampex about the '121 patent in 2001 and again in 2004. (DI. 275 at 3; D.I. 312 at 3-4.) After the first exchange, Kodak's in-house counsel undertook an analysis and, according to Kodak, concluded that Kodak did not infringe the '121 patent. (D.I. 312 at 3.) Neither the 2001 nor the 2004 exchange of letters led to licensing discussions. (*Id.*)

In August 2004, Kodak retained the law firm of Roylance, Abrams, Berdo and Goodman LLP ("Roylance") to provide an opinion on whether Kodak's products infringed the '121 patent. (D.I. 275 at 3; D.I. 312 at 4.) On October 21, 2004, Ampex filed an action against Kodak in the International Trade Commission ("ITC"), asserting infringement of the '121 patent. (D.I. 312 at 4.) On that same day, Ampex filed its complaint in this court (D.I. 1), but its suit here was stayed pending resolution of the ITC action. (D.I. 29.) A few weeks later, in November, Roylance provided to Kodak an oral opinion of non-infringement, which was later confirmed in a final written opinion to the same effect in September of 2005. (D.I. 312 at 4; *see also* D.I. 275 at 3-4.) In the meanwhile, on July 29, 2005, Ampex moved to withdraw its ITC [*5] complaint, which was then dismissed on August 23, 2005. (D.I. 312 at 4-5.) Consequently, the stay in this case was lifted. (*See* D.I. 33.)

Standard of Review

[HN1] A district court's determination as to the scope of the waiver of the attorney-client privilege is reviewed under an abuse-of-discretion standard. *In re EchoStar Communications Corp.*, 448 F.3d 1294, 1300 (Fed. Cir. 2006) (citing *In re Pioneer*, 238 F.3d at 1373 n. 2 ("[I]t appears that virtually all the circuits review the decision of a district court [regarding waiver of privilege] underlying a petition for writ of mandamus for abuse of discretion.")).

Discussion

Relying on the Federal Circuit's recent opinion in *In re EchoStar, supra*, 448 F.3d 1294, Ampex argues that an advice-of-counsel defense in a patent case effects a wholesale waiver of privilege as to any communication that any attorney has with a client, so long as the communication touches on the same topic as the opinion on which the client relies to defend against a charge of willfulness. (*See* D.I. 268 at 2-3.) According to Ampex, it matters not when or in what context the subsequent [*6] communication occurs. Citing *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp.2d 418 (M.D. N.C. 2003), a case also cited by the Federal Circuit in its *Echostar* opinion, Ampex contends that there is no temporal limitation on the waiver of privilege, if infringing activity continues, nor is there any distinction between advice received from trial counsel and that received from opinion counsel. Ampex asserts that the *Echostar* opinion, in conjunction with *Akeva*, makes everything fair game for discovery, including communications between trial counsel and client during trial. (*See id.*; 5/11/06 Tr. at 9-12.) n3

n3 Citations to "5/11/06 Tr. at ___" are to pages of the transcript of the May 11, 2006 teleconference in this matter. In subsequent briefing, Ampex backed off its we-get-every-communication argument to a degree, saying that *Echostar's* "core holding" is that discovery should not be permitted as a sword and a shield and that that principle is sufficient to require disclosure of trial counsel's communication in this case. (*See* D.I. 275 at 2.) Nevertheless, the logic of Ampex's position remains the same, whether or not Ampex chooses to go all the way to the logical limit, as the following exchange demonstrates:

> The Court: -- is the short answer to my question, yes, that ... your reading of *Echostar* is that the Federal Circuit has now stated that the patentee is entitled to go after discovery all the way through trial. Any time trial counsel is talking to their client about infringement, they're entitled to know about it.
> [Counsel for Ampex]: That is what the Federal Circuit has stated, but we don't have to address that issue in this case.

(*See* 5/11/06 Tr. at 11-12.)

[*7]

I am compelled to reject Ampex's reading of *Echostar* as far too broad and its motion as an extravagant demand at odds with the generally understood contours of the attorney-client privilege.

To begin with, *Echostar* is, as I read it, an opinion aimed primarily at clarifying the scope of waiver of work product protection in the context of patent infringement cases involving an advice-of-counsel defense. The opinion gives clear and helpful direction on that difficult subject. It has less to say about the attorney-client privilege because that apparently was not the primary issue before the court. Perhaps that is why the court addressed the attorney-client privilege issue in relatively broad language, reasserting general principles. *Cf. Ind. Mills & Mfg., Inc. v. Dorel Indus., Inc.*, 2006 U.S. Dist. LEXIS 34023, No. 04CV001102-LJM-WTL, 2006 WL 1749413, *7, n.2 (S.D. Ind. May 26, 2006) (noting that "the *Echostar* court paints with a broad brush" when discussing the attorney-client privilege). For example, *Echostar* states that [HN2] the attorney-client privilege cannot be used as a sword and a shield. 448 F.3d at 1301. That is a fundamental and well-understood rule, since, [*8] "selective waiver of the privilege may lead to the

inequitable result that the waiving party could waive its privilege for favorable advice while asserting its privilege on unfavorable advice." *Id.* It is in the context of that general observation that the *Echostar* court made the comment so heavily relied on by Ampex here: "To prevent such abuses, we recognize that [HN3] when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter." *Id.*

Ampex seems to ignore both the context of that remark and its exact language. As to the language chosen, the *Echostar* court's use of the word "such" to modify the phrase "communications regarding the same subject matter" indicates that the court intended a far more limited meaning for its statement than Ampex wishes to give it. The use of "such" leads one back to earlier language in that portion of the opinion, in which the court is emphasizing the unfairness of allowing a party to hold back an attorney's opinion that is inconsistent with a different opinion it chooses to show the world. *See id.* The modifier "such" [*9] thus strongly implies that the type of communications being discussed are opinions expressed in a manner comparable to the opinion that is disclosed, as was apparently the case in *Echostar* itself.

The context includes not only the sentences surrounding the one Ampex fixes on, but also includes the factual background in *Echostar.* The defendant in that case wanted to rely on its inside counsel's opinion on infringement, while cloaking with privilege an outside opinion it had obtained on the same subject. It is hardly surprising that the court, given those facts, would call that maneuver a foul. The court was knocking down the defendant's artificial and unpersuasive distinction between inside and outside counsel. Nothing in that context, however, indicates a desire by the Court of Appeals to have every communication a client has with its trial counsel on the very subject of an infringement trial open to review by opposing counsel.

This is not elevating form over substance, as Ampex implies. (D.I. 275 at 8-9.) [HN4] It is not the form of the communication that matters, it is the content. If one received advice of non-infringement and also received an opinion on that same topic from [*10] another attorney, it would not matter on the question of waiver how the communication was labeled. But, if all attorney-client discussions touching on the same subject were to be viewed as "advice" or "opinions" on a par with the legal opinions that were at issue in *Echostar,* the court's comments would have to be understood as demolishing the practical significance of the attorney-client privilege, a result obviously at odds with other comments in *Echostar, see* 448 F.3d at 1300-01 ("We recognize the privilege in order to promote full and frank communication between a client and his attorney so that the client can make well-informed legal decisions and conform his activities to the law."), and with other emphatic pronouncements of the Federal Circuit regarding the privilege, *see* *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2004) ("There should be no risk of liability in disclosures to and from counsel in patent matters; such risk can intrude upon full communication and ultimately the public interest in encouraging open and confident relationships between client and attorney."). It will take more than [*11] the inference Ampex wants to draw from *Echostar* to persuade me that the Federal Circuit intends a wholesale revision of the historical understanding of the attorney-client privilege.

Echostar did not even address the issue of communications with trial counsel. To try to stretch the opinion to cover its position here, Ampex notes that *Echostar* cites the *Akeva* case, which did deal with trial counsel communications. (D.I. 275 at 5.) What Ampex ignores is that *Akeva* dealt with circumstances in which the defendant expressly relied on its trial counsel's non-infringement opinion to continue operating, while awaiting a separate opinion from another source. *Akeva*, 243 F. Supp.2d at 419-20. That is not akin to the facts in this case. n4

> n4 I emphasize that the present case does not involve a party choosing to use an attorney as both opinion counsel and trial counsel. That choice involves an unfortunate blending of roles that is, thankfully, rare and beyond the discussion provided here.

[*12]

Finally, Ampex tries to justify its extraordinary waiver argument by saying that Kodak waited to obtain an opinion until after litigation had begun. That argument appears to rest on an erroneous factual assertion and, in any event, it assumes that trial counsel was providing non-infringement opinions in the interim. In the particular history of this case, Kodak asserts that it had a non-infringement opinion from its in-house counsel three years before any litigation commenced. (D.I. 312 at 3.) Before litigation began, Kodak sought from outside counsel an opinion regarding infringement. (*Id.* at 4; D.I. 275 at 3-4.) That opinion was provided orally shortly after suit was filed. (D.I. 312 at 4.) Ampex chose to proceed first in the ITC, where neither damages nor willfulness were at issue, so Kodak chose not to press for a written opinion (*see id.*) -- a logical choice, since the purpose of the advice-of-counsel defense in infringement litigation is typically to avoid enhanced damages. I thus

fail to see anything nefarious in Kodak getting its written opinion from outside counsel only after Ampex abandoned its ITC case and reinitiated its claims, including damages claims, in this [*13] court. Under these facts, Ampex has failed to demonstrate that Kodak's obtaining a further written opinion from its opinion counsel is somehow a cover for non-infringement advice it was actually getting from its trial counsel.

Conclusion

For the foregoing reasons, it is hereby ORDERED that the bench ruling of July 13, 2006 is confirmed and the Motion (D.I. 268) is DENIED.

Kent A. Jordan

UNITED STATES DISTRICT JUDGE

July 17, 2006
Wilmington, Delaware

LEXSEE

INDIANA MILLS & MANUFACTURING, INC., Plaintiff, vs. DOREL INDUSTRIES, INC., and DOREL JUVENILE GROUP, INC., Defendants.

1:04-cv-01102-LJM-WTL

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF INDIANA, INDIANAPOLIS DIVISION

2006 U.S. Dist. LEXIS 34023

May 26, 2006, Decided
May 26, 2006, Filed

NOTICE: [*1] THIS OPINION WAS WITHDRAWN BY THE COURT

SUBSEQUENT HISTORY: Opinion withdrawn by Ind. Mills & Mfg. v. Dorel Indus., 2006 U.S. Dist. LEXIS 47852 (S.D. Ind., July 14, 2006)
Summary judgment granted by, Summary judgment denied by Ind. Mills & Mfg. v. Dorel Indus., 2006 U.S. Dist. LEXIS 60929 (S.D. Ind., Aug. 25, 2006)

PRIOR HISTORY: Ind. Mills & Mfg. v. Dorel Indus., 2006 U.S. Dist. LEXIS 45637 (S.D. Ind., Feb. 16, 2006)

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff patent holder alleged that defendant competitor's child restraint seat infringed two claims of the holder's patent. The holder also alleged that the competitor willfully infringed those claims. The holder brought the instant emergency motion for reconsideration on the holder's objection to the magistrate judge's order regarding willfulness-related discovery.

OVERVIEW: The most pertinent aspect of the holder's invention was the configuration of a belt adjustor for a harness system of a patented child restraint seat. In the instant motion, the holder sought to broaden the scope of discovery allowed by the court's order in light of the Federal Circuit's opinion which further defined the scope of the waiver of the attorney-client and work-product privileges when a defendant asserted an advice-of-counsel defense to allegations of willful infringement. First, the instant court was unwilling to broaden the temporal scope of the waiver post-filing in the present case. Second, with respect to the scope of the work-product privilege waiver, the present court's prior definition was too narrow. The court did concern itself with the documents relied upon by opinion counsel that may not have been disclosed to the client, however, the court did not address documents that reflected conversations or communications with the client that were never disclosed to the client. It was this later category of documents that the Federal Circuit clearly stated were discoverable. As such, the order was modified to include discovery of such documents.

OUTCOME: The court granted in part and denied in part the holder's motion for reconsideration. The competitor was ordered to produce pre-filing documents that reflected conversations or communications with the client that were never disclosed to the client.

CORE TERMS: work-product, attorney-client, work product, infringement, discovery, subject matter, temporal, advice, non-infringement, immunity, communicated, infringer, advice-of-counsel, in-house, summary judgment, waived, willful, protective order, discoverable, post-filing, deposition, privileged, patent, in camera, reconsideration, reconsider, privileged information, advice of counsel, infringed, asserting

LexisNexis(R) Headnotes

Civil Procedure > Summary Judgment > Appellate Review > Appealability
Civil Procedure > Judgments > Preclusion & Effect of Judgments > Law of the Case
Civil Procedure > Judgments > Relief From Judgment > Motions to Alter & Amend
[HN1] A motion to reconsider is appropriate where there is a controlling or significant change in the law or facts since the submission of the issue to the court. An order

that is interlocutory in nature may be reconsidered at any time prior to final judgment. A court may, however, decline to reconsider an issue already decided under the "law of the case" doctrine.

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN2] The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all of other communications relating to the same subject matter.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Civil Procedure > Discovery > Privileged Matters > Work Product > Scope
Evidence > Privileges > Attorney-Client Privilege > Scope

[HN3] In contrast to the attorney-client privilege, the work-product doctrine, or work-product immunity as it is also called, can protect "documents and tangible things" prepared in anticipation of litigation that are both non-privileged and relevant. Fed. R. Civ. P. 26(b)(3). Unlike the attorney-client privilege, which protects all communication whether written or oral, work-product immunity protects documents and tangible things, such as memorandums, letters and e-mails.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
Evidence > Privileges > Attorney-Client Privilege > Exceptions

[HN4] Like the attorney-client privilege, however, the work-product doctrine is not absolute. First, a party may discover certain types of work product if they have substantial need of the materials in preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent by other means. Fed. R. Civ. P. 26(b)(3). Second, a party may discover work product if the party waives its immunity. However, work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. Instead, work-product waiver only extends to "factual" or "non-opinion" work product concerning the same subject matter as the disclosed work product.

Civil Procedure > Discovery > Privileged Matters > Work Product > Fact Work Product
Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

[HN5] The line between "factual" work product and "opinion" work product is not always distinct, especially when an attorney's opinion may itself be "factual" work product. When faced with the distinction between where that line lies, however, a district court should balance the policies to prevent sword-and-shield litigation tactics with the policy to protect work product.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

[HN6] By asserting the advice-of-counsel defense to a charge of willful infringement, the accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pillage all of their litigation strategies. Rather, a court must ensure that the work-product waiver extends only so far as to inform the court of the infringer's state of mind. Legal correctness of the opinion is not the issue, but whether the opinion is thorough enough to instill a belief in the infringer that a court may hold the patent not infringed. The overarching goal of waiver in such a case is to prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

[HN7] Work product that is never communicated to the client provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work-product doctrine. However, in the category of documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communicated to or from the client, there may be work-product material that would have bearing on what the accused infringer knew, but were never themselves communicated to the client. Such communications will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court. If necessary, where there are several types of communication in one document, some of which requires redaction, the district court may review such material in camera.

COUNSEL: For INDIANA MILLS & MANUFACTURING, INC., Plaintiff: Daymon L. Ruttenberg, Samuel Ellet Shehadeh, Timothy Quinn Delaney, BRINKS HOFER GILSON & LIONE, Chicago, IL; A. James Richardson, Lawrence A. Steward, Sanders N. Hillis, BRINKS HOFER GILSON & LIONE, Indianapolis, IN.

For DOREL INDUSTRIES, INC., DOREL JUVENILE GROUP, INC., Defendants: Gregory Andrew Duff, Jay G. Taylor, John F. Prescott, Jr, Michael A. Swift, ICE MILLER LLP, Indianapolis, IN.

JUDGES: LARRY J. McKINNEY, CHIEF JUDGE.

OPINION BY: LARRY J. McKINNEY

OPINION:

ORDER ON PLAINTIFF'S EMERGENCY MOTION FOR RECONSIDERATION

This cause is now before the Court on plaintiff's, Indiana Mills & Manufacturing, Inc. ("IMMI"), Emergency Motion for Reconsideration of February 16, 2006, Order on Plaintiff's Objection to Magistrate Judge's Order Regarding Willfulness-Related Discovery. In the February 16, 2006, order ("Feb. Order"), the Court sustained in part and overruled in part IMMI's objection to an October 14, 2005, order ("MJ Order"), by Magistrate Judge Lawrence that denied IMMI's motion to compel willfulness discovery and granted defendants', Dorel Industries, Inc. and Dorel Juvenile Group, Inc. (collectively, "Dorel"), motion for [*2] protective order.

In the instant motion, IMMI seeks to broaden the scope of discovery allowed by the Feb. Order in light of the Federal Circuit's recent opinion in *In re EchoStar Communications Corp.*, 448 F.3d 1294, 2006 U.S. App. LEXIS 11162, Misc. Nos. 803, 805, 2006 WL 1149528 (Fed. Cir. May 1, 2006), in which the Federal Circuit further defined the scope of the waiver of the attorney-client and work-product privileges when a defendant asserts an advice-of-counsel defense to allegations of willful infringement. Dorel argues that IMMI reads *EchoStar* too broadly and that the facts of this case are distinguishable.

The Court held a hearing on the matter on May 24, 2006, to give the parties an opportunity to discuss with the Court the salient points of the *EchoStar* opinion before it issued a ruling. For the reasons stated herein, the Court **GRANTS in part and DENIES in part** IMMI's motion for reconsideration.

I. FACTUAL & PROCEDURAL BACKGROUND

This is a patent infringement suit in which IMMI alleges that Dorel's child restraint seat infringes claims 8 and 11 of U.S. Patent No. 4,660,889 (the "'889 patent"). IMMI also alleges that Dorel willfully infringed those claims. It is important [*3] to note that the most pertinent aspect of the claimed invention is the configuration of a belt adjustor for the harness system of the patented child restraint seat.

On or about August 18, 2005, Dorel notified IMMI that it would rely upon an advice-of-counsel defense to IMMI's allegations of willful infringement. Dorel produced to IMMI the relevant opinion letters and offered to make available Mr. Glover to testify to his reasonable reliance upon an attorney's, Mr. Jay Taylor, opinion that the Dorel adjuster and the Dorel car seats utilizing that adjuster do not infringe the '889 patent. However, Dorel also moved for a protective order to prevent IMMI from deposing Mr. Taylor, asserting that such a deposition is unlikely to lead to any admissible evidence.

On September 13, 2005, IMMI filed its Motion to Compel Willfulness Discovery and Opposition to Dorel's Motion for Protective Order. IMMI argued that having waived privilege with respect to Mr. Taylor's opinions, the Court should compel Dorel to produce all documents and witnesses related to the subject matter of its waiver. In addition, IMMI asked that the Court deny Dorel's Motion for Protective Order.

Predictably, IMMI argued [*4] that the scope of Dorel's waiver extended to all the opinions encompassed by Mr. Taylor's opinions, including validity opinions, and that the waiver should apply to communications on the issues of infringement and validity post-filing. In contrast, and predictably, Dorel argued that the scope of the waiver was narrow because the only opinion disclosed in the communications by Mr. Taylor to Dorel related to infringement. Moreover, the waiver should not apply past the point at which IMMI issued to Dorel a cease and desist letter.

The MJ Order, dated October 14, 2005, granted Dorel's Motion for Protective Order and denied IMMI's Motion to Compel Willfulness Discovery. Specifically, it reads, in pertinent part:

> 1. Defendants have waived their attorney-client privilege only with respect to communications between Defendants and their Counsel directly related to the non-infringement analysis regarding the '889 Patent set forth in the October 3, 2001, November 2, 2002, and April 8, 2003, non-infringement opinions relied upon by Defendants as part of their advice-of-counsel defense.
>
> 2. The scope of this waiver extends to, but not later than, Defendants['] receipt of the cease [*5] and desist request contained in

> Mr. Wallen's letter to Mr. Cartwright on April 23, 2004.
>
> 3. Defendants have waived their attorney work-product protection only with respect to actual communications between Defendants and their Counsel prior to April 23, 2004, which directly relate to the non-infringement analysis regarding the '889 Patent set forth in the October 23, 2001, November 8, 2002, and April 8, 2003, non-infringement opinions relied upon by Defendants as part of their advice-of-counsel defense [sic].
>
> 4. Defendants shall review their privilege logs (Exhibits J, K and L attached to Plaintiff's Motion to Compel) and produce to Plaintiff those documents, if any, which fall within the scope of the waiver outlined above.
>
> 5. Plaintiff shall not take the depositions of Mr. Bruce Cazanave or Mr. Jeffrey Cartwright.
>
> 6. Any depositions taken of Messrs. Taylor, Ster, Weisentahl, Reynolds, or Balensiefer will be strictly limited in scope in accordance with the limited waiver of the attorney-client privilege as set forth above.

Oct. Order, at 1-2.

On October 31, 2005, IMMI objected to the MJ Order arguing that the order was clearly erroneous and contrary to [*6] law because it held: (1) that the subject matter of Dorel's waiver did not include validity of the '889 patent; (2) that discovery of documents related to the opinion of counsel should be limited to the date that Dorel received notice of a cease and desist letter on April 23, 2004; and (3) that the work product waiver extended only to communications shared with Dorel that are "directly related to" the opinions of counsel. n1

> n1 There were other allegations of error, however, they are inextricably intertwined the these three decisions and were not specifically addressed by the instant motion. Therefore, the Court limits the current discussion to these three allegations of error in the MJ Order, and subsequently, the Court's resolution of those issues in February 2006.

On February 16, 2006, the Court issued its order on IMMI's objections to the MJ Order. The Feb. Order held, in relevant part:

> (1) that the scope of the waiver did not extend to counsel's opinion regarding validity because there is no evidence [*7] that Dorel relied upon same in its assertion of non-infringement;
>
> (2) that the scope of the waiver did not extend beyond the filing of the instant law suit because there is no evidence to suggest that Dorel changed its non-infringement arguments post-filing and the danger of using the attorney-client and work-product privileges as a sword was minimal under the circumstances of this case; and
>
> (3) that the scope of the work product waiver extended only to communications with the client, unless those communications precluded IMMI from discovering the factual basis for the opinions themselves, in which case the Court concluded these work-product documents were included in the waiver.

On April 3, 2006, Dorel filed a Motion for Summary Judgment on IMMI's Claims of Willful Infringement, to which IMMI filed a response on May 8, 2006.

On May 1, 2006, the Federal Circuit issued its opinion in *EchoStar*. Shortly thereafter, on May 12, 2006, IMMI filed the motion at issue here. In the instant motion, IMMI contends that *EchoStar* changed the law on the scope of the waiver of attorney-client and work-product privileges in willfulness-related discovery and, therefore, before [*8] further briefing occurs on Dorel's Motion for Summary Judgment on IMMI's Willful Infringement Claim, the Court should reconsider its prior ruling on the issue.

IMMI contends that *EchoStar* held: (1) that it is improper to limit the temporal scope of the waiver to pre-suit communication; (2) that the work-product waiver extends to any attorney documents that reference or describe a communication with the client; (3) that the Court should review *in camera* any documents in which there is a question whether material should be redacted; and (4) that the scope of the waiver includes any documents or opinions that embodies or discusses a communication to or from it concerning whether that patent is valid, en-

forceable, and infringed by the accused, and is not dependent upon what the accused infringer actually relied upon. In light of this interpretation *of EchoStar*, IMMI asserts that the Court's Feb. Order conflicts with the holdings in *EchoStar* because it limits the temporal scope of the waiver to the date the complaint was filed, July 1, 2004, although ongoing infringement continued until the patent expired on December 17, 2005, because it limits the work product waiver to [*9] documents "actually communicated" to the client, because it requires no *in camera* inspection of redacted documents, and because it limits the privilege waiver based on the alleged infringer's position as to which opinion it relied upon.

Dorel contends that IMMI has read *EchoStar* too broadly and that it is distinguishable on its facts. Moreover, Dorel contends that the Court's Feb. Order correctly applied the law of waiver even *post-EchoStar* and, in any event, the Court must consider in this case the circumstances presented where opinion counsel and trial counsel are one and the same.

II. STANDARD

[HN1] A motion to reconsider is appropriate where there is "a controlling or significant change in the law or facts since the submission of the issue to the Court." *Bank of Waunakee v. Rochester Cheese Sales, Inc.*, 906 F.2d 1185, 1191 (7th Cir. 1990). As the Court's Feb. Order was interlocutory in nature, it may be reconsidered at any time prior to final judgment. *See Matter of 949 Erie St., Racine Wis.*, 824 F.2d 538, 541 (7th Cir. 1987) (citing *Cameo Convalescent Ctr., Inc. v. Percy*, 800 F.2d 108 (7th Cir. 1986)). A court may, [*10] however, decline to reconsider an issue already decided under the "law of the case" doctrine. *Id.* at 541-2 (citing *Messenger v. Anderson*, 225 U.S. 436, 32 S. Ct. 739, 56 L. Ed. 1152 (1912)).

III. DISCUSSION

The first issue for the Court is whether or not *EchoStar* was a controlling or significant change in the law; IMMI contends that it was, Dorel asserts it was not. The Court finds that the *EchoStar* decision clarified issues left undecided by the Federal Circuit's *en banc* decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), and that the clarification has some effect on the decisions made by the Court in its Feb. Order.

A review of the facts in *EchoStar*, as presented by the Federal Circuit, is warranted. The Federal Circuit recites the following background facts:

> TiVo sued EchoStar for infringement of its U.S. Patent No. 6,233,389 ("the '389 patent"). In response to the allegation of willful infringement, EchoStar asserted the defense of reliance on advice of counsel. Prior to the filing of the action, EchoStar relied on advice of in-house counsel. After the action was filed, EchoStar obtained [*11] additional legal advice from Merchant & Gould but elected not to rely on it. Presumably to explore further EchoStar's state of mind in determining that it did not infringe the patent, TiVo sought production of documents in the possession of EchoStar and Merchant & Gould. The district court held that by relying on advice of in-house counsel EchoStar waived its attorney-client privilege and attorney work-product immunity relating to advice of any counsel regarding infringement, including Merchant & Gould. The district court indicated that the scope of the waiver included communications made either before or after the filing of the complaint and any work product, whether or not the product was communicated to EchoStar. The district court also held that EchoStar could redact information related only to trial preparation or information unrelated to infringement. EchoStar produced communications, including two infringement opinions from Merchant & Gould, but did not produce any work product related to the Merchant & Gould opinions.
>
> * * *
>
> The district court issued an order that clarified its previous order and stated that the waiver of immunity extended to all work product of Merchant [*12] & Gould, whether or not communicated to EchoStar. The district court determined that the documents could be relevant or lead to the discovery of admissible evidence because they might contain information that was conveyed to EchoStar, even if the documents were not themselves conveyed to EchoStar. EchoStar petitions this court for a writ of mandamus with respect to the Merchant & Gould documents not provided to EchoStar, challenging the district court's rulings.

EchoStar, 2006 U.S. App. LEXIS 11162, 2006 WL 1149528 at Part I. (footnotes omitted).

The *EchoStar* court applied the law of the Federal Circuit to the substantive questions of the scope of the waiver of attorney-client privilege and work-product immunity in the advice-of-counsel defense context. *Id.* at Part III. The Court addressed the scope of the attorney-client waiver first because EchoStar argued that its reliance on in-house counsel is different subject matter from an outside opinion of counsel. To address this argument, the *EchoStar* court reiterated that [HN2] "'the widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all of other communications relating [*13] to the same subject matter.'" *Id.* Part III.A. (quoting *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005)). The *EchoStar* court stated that EchoStar's argument was without merit. It held that "when EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include communications with Merchant & Gould." *Id.* (citing *Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003)).

The *EchoStar* court next addressed whether the district court's order was too broad when it included "within the waiver's scope documents that were never communicated from Merchant & Gould (the attorney) to EchoStar (the client)." *Id.* Part III.B. The *EchoStar* court relied on traditional work-product immunity waiver law to decide this issue starting with Federal Rule of Civil Procedure 26(b). The court stated:

> [HN3] In contrast to the attorney-client privilege, the work-product doctrine, [*14] or work-product immunity as it is also called, can protect "documents and tangible things" prepared in anticipation of litigation that are both non-privileged and relevant. Fed. R. Civ. P. 26(b)(3). Unlike the attorney-client privilege, which protects all communication whether written or oral, work-product immunity protects documents and tangible things, such as memorandums, letters and e-mails. *See generally Judicial Watch, Inc. v. Dep't of Justice*, 369 U.S. App. D.C. 49, 432 F.3d 366 (D.C. Cir. 2005). We recognize work-product immunity because it promotes a fair and efficient adversarial system by protecting "the attorney's thought processes and legal recommendations" from the prying eyes of his or her opponent.
>
> * * *
>
> [HN4] Like the attorney-client privilege, however, the work-product doctrine is not absolute. *See In re Martin Marietta Corp.*, 856 F.2d 619, 626 (4th Cir. 1988). First, a party may discover certain types of work product if they have "substantial need of the materials in preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent . . . by other means." Rule [*15] 26(b)(3). . . .
>
> Second, a party may discover work product if the party waives its immunity. [citations omitted] However, work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. *Martin Marietta Corp.*, 856 F.2d at 626. Instead, work-product waiver only extends to "factual" or "non-opinion" work product concerning the same subject matter as the disclosed work product. *See id.* at 625 (noting that a party "impliedly waived the work-product privilege as to all non-opinion work-product on the same subject matter as that disclosed.") (*citing* [sic] [*United States v. Nobles*], 422 U.S. [225,] 239, 95 S. Ct. 2160, 45 L. Ed. 2d 141 [1975]).
>
> We recognize that [HN5] the line between "factual" work product and "opinion" work product is not always distinct, especially when, as here, an attorney's opinion may itself be "factual" work product. When faced with the distinction between where that line lies, however, a district court should balance the policies to prevent sword-and-shield litigation tactics with the policy to protect work product.

Id.

When it applied this standard, [*16] the *EchoStar* court did so to three categories of work product at issue in the case before it:

> (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communicated to or from the client.

Id. The EchoStar court held that the first category of work product is discoverable. *Id.*

But in addressing the later two categories, the *EchoStar* court acknowledged that [HN6] "by asserting the advice-of-counsel defense to a charge of willful infringement, the accused infringer and his or her attorney do not give their opponent unfettered discretion to rummage through all of their files and pillage all of their litigation strategies." *Id.* Rather, a court must ensure that the "work-product waiver extends only so far as to inform the court of the *infringer's* state of mind." *Id.* (emphasis [*17] in original). Legal correctness of the opinion is not the issue, but whether the opinion is thorough enough to instill a belief in the infringer that a court may hold the patent not infringed. *Id.* "The overarching goal of waiver in such a case is to prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice." *Id.* (citing *Fort James Corp.*, 412 F.3d at 1349; *Martin Marietta Corp.*, 856 F.2d at 626; *In re Sealed Case*, 219 U.S. App. D.C. 195, 676 F.2d 793, 818 (D.C. Cir. 1982)).

Therefore, the *EchoStar* court concluded that [HN7] work product that is never communicated to the client "provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work-product doctrine." *Id.* However, in the third category of documents, there may be work-product material that would have bearing on what the accused infringer knew, but were never themselves communicated to the client. *Id.* Such communications, the *EchoStar* court concluded, "will [*18] aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court." *Id.* The *EchoStar* court suggested that, if necessary, where there are several types of communication in one document, some of which requires redaction, "the district court may review such material *in camera*." *Id.*

Applying these holdings to the Court's Feb. Order, the Court finds that it must reconsider its ruling on the temporal scope of the waiver in this case and it must reconsider the scope of the work-product waiver. The Court declines to entertain IMMI's arguments with respect to the Court's decision to limit the waiver to documents reflecting opinions of counsel on infringement as the Court does not agree with IMMI that the *EchoStar* opinion squarely addressed that issue.

With respect to the temporal scope of the waiver, the Court decided that in determining the temporal scope of the waiver, the Court should consider the circumstances of the case and, consistent with the principle of fairness, ensure that a party not be allowed to rely on self-serving statements while withholding [*19] contradictory information under the pretense of attorney-client or work-product privilege. In making this balance, the Court found that there was no evidence that Dorel had changed its position on infringement at any time either prior to or post filing. Because Dorel had been consistent in its contentions on non-infringement, there was no reason to extend the waiver post filing.

Even in light of the *EchoStar* opinion, the Court does not change its opinion in this case. The *EchoStar* court opined that even post filing attorney-client privileged and work-product privileged information that has bearing on the question of willful infringement is discoverable. However, the *EchoStar* opinion made such a ruling in the context of discovery from an outside attorney who had provided opinion on the infringement issue after suit. There is no indication that the *EchoStar* court intended to extend this waiver to communication of trial counsel or to work product of trial counsel. In fact, that issue was not before the Court. The facts of this case are different. There is no allegation in this case that Dorel received additional advice of counsel post filing, other than advice from counsel [*20] in the course of litigation.

Even if the *EchoStar* opinion is read to have held that discovery of post-filing privileged information regardless of its source, and the Court recognizes that such an argument could have merit, n2 the *EchoStar* court appears to agree with this Court that a balancing of the need for discovery with the need to protect attorney-client and work-product privilege communications and/or documents is necessary. In the instant case, there is no evidence that discovery of post-filing attorney-client privileged or work-product privileged documents would uncover anything contrary to the opinions provided prior to trial. In such a case, the information would be cumulative and its probative value would be outweighed by the policies protecting attorney-client privileged and work-product privileged information. As such,

the Court is unwilling to broaden the temporal scope of the waiver post filing in this case.

> n2 2The *EchoStar* court paints with a broad brush when discussing the temporal scope of the waiver in this case and cites *Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418 (M.D.N.C. 2003), in support of its holding that the Merchant & Gould documents at issue in the case were discoverable. The *Akeva* court found that even the opinions of trial counsel on the infringement issue were discoverable. *Id.* at 423. But, *Akeva* never addressed the question of work product, only attorney-client privilege. *Id.* at 423 n.6.
>
> As the Court explained in its prior order, there is merit in extending the temporal scope of the waiver beyond filing of the suit in cases where there is a fear that post-filing non-infringement opinions, whether they be of trial counsel, in-house counsel, or third-party outside counsel, differ from those pre-filing and have bearing on the reasonableness of the alleged infringer's reliance on advice of counsel. However, the Court does not agree with IMMI that the *EchoStar* case holds that the temporal scope of the waiver always extends post filing.

[*21]

With respect to the scope of the work-product privilege waiver, the Court finds that according to *EchoStar*, the Court's prior definition was too narrow. The Court did concern itself with the documents relied upon by opinion counsel that may not have been disclosed to the client, however, the Court did not address documents that reflect conversations or communications with the client that were never disclosed to the client. It is this later category of documents that the Federal Circuit in *EchoStar* clearly stated were discoverable. As such, the Court's Feb. Order must be modified to include discovery of such documents, pre-filing, in this case.

IV. CASE MANAGEMENT PLAN DEADLINES GOING FORWARD

The Court recognizes that both parties are interested in keeping the current August 21, 2006, trial date for any issues that will remain in this matter after the Court rules on the multiple pending summary judgment motions. Therefore, the parties shall follow this schedule regarding the additional discovery allowed by this order:

> 1. Defendant shall supplement its discovery on or before Friday, June 2, 2006. If there are questionable documents, they shall be submitted [*22] to the Court for *in camera* inspection on or before Thursday, June 1, 2006.
>
> 2. Plaintiff shall have to and including Monday, June 12, 2006, to complete any supplemental depositions that are required.
>
> 3. Plaintiff shall have to and including Friday, June 16, 2006, to submit any supplemental response to Defendant's Motion for Summary Judgment on IMMI's Willful Infringement Claim.
>
> 4. Defendant's reply on its Motion for Summary Judgment on IMMI's Willful Infringement Claims shall be due on or before Wednesday, June 28, 2006.

Any currently-pending briefing deadlines on the pending motions for summary judgment are hereby vacated.

V. CONCLUSION

For the foregoing reasons, plaintiff's, Indiana Mills & Manufacturing, Inc., Emergency Motion for Reconsideration of February 16, 2006, Order on Plaintiffs Objection to Magistrate Judge's Order Regarding Willfulness-Related Discovery, is **GRANTED in part and DENIED in part.** Defendant's, Dorel Industries, Inc. and Dorel Juvenile Group, Inc., Motion for Extension of Time to File Reply is **GRANTED.** The parties shall proceed as directed in this Order.

IT IS SO ORDERED this 26th day of May, 2006.

LARRY J. [*23] McKINNEY, CHIEF JUDGE

United States District Court

Southern District of Indiana

LEXSEE

INDIANA MILLS & MANUFACTURING, INC., Plaintiff, vs. DOREL INDUSTRIES INC. and DOREL JUVENILE GROUP, INC., Defendants.

1:04-cv-1102-LJM-WTL

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF INDIANA, INDIANAPOLIS DIVISION

2006 U.S. Dist. LEXIS 47852

July 14, 2006, Decided
July 14, 2006, Filed

PRIOR HISTORY: Ind. Mills & Mfg., Inc. v. Dorel Indus., Inc., 2006 U.S. Dist. LEXIS 34023 (S.D. Ind., May 26, 2006)

COUNSEL: [*1] For INDIANA MILLS & MANUFACTURING, INC., Plaintiff: Daymon L. Ruttenberg, Samuel Ellet Shehadeh, Timothy Quinn Delaney, BRINKS HOFER GILSON & LIONE, Chicago, IL; A. James Richardson, Lawrence A. Steward, Sanders N. Hillis, BRINKS HOFER GILSON & LIONE, Indianapolis, IN.

For DOREL INDUSTRIES, INC., DOREL JUVENILE GROUP, INC., Defendants: Gregory Andrew Duff, Jay G. Taylor, John F. Prescott, Jr, Michael A. Swift, ICE MILLER LLP, Indianapolis, IN.

JUDGES: LARRY J. McKINNEY, CHIEF JUDGE.

OPINION BY: LARRY J. McKINNEY

OPINION:

ORDER

Through recent briefing of defendants', Dorel Industries, Inc. and Dorel Juvenile Group, Inc. (collectively, "Dorel"), Motion for *In Camera* Review of Schiff Hardin Work Product, the Court became aware that it has been under a misapprehension of the facts of this case with respect to the advice sought by Dorel regarding infringement. This Court had been under the impression that Dorel had never sought additional opinions of counsel post-filing. Clearly this is not the case. As a result, the Court must **WITHDRAW** its Order on Plaintiff's Emergency Motion for Reconsideration, dated May 26, 2006, as it is apparent that the Court's misapprehension of fact [*2] may have caused it to err in its application of the Federal Circuit Court of Appeals recent decision in *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006), in this case.

Further briefing on Dorel's Motion for *In Camera* review is hereby **SUSPENDED** until further order of the Court.

The Clerk of the Court is hereby **ORDERED to WITHDRAW** the Court's Order on Plaintiff's Emergency Motion for Reconsideration, dated May 26, 2006, Docket # 227. Plaintiff's, Indiana Mills & Manufacturing, Inc., Emergency Motion for Reconsideration shall remain pending until further order of the Court.

IT IS SO ORDERED this 14th day of July, 2006.

LARRY J. McKINNEY, CHIEF JUDGE

United States District Court

Southern District of Indiana

LEXSEE

INFORMATICA CORPORATION, et al., Plaintiffs, v. Business Objects Data Integration, Inc., Defendants.

No. C 02-3378 JSW (JL) E-FILING

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

2006 U.S. Dist. LEXIS 53429

July 14, 2006, Decided
July 14, 2006, Filed

SUBSEQUENT HISTORY: Objection denied by, Affirmed by Informatica Corp. v. Bus. Objects Data Integration, 2006 U.S. Dist. LEXIS 58976 (N.D. Cal., Aug. 9, 2006)

PRIOR HISTORY: Informatica Corp. v. Bus. Objects Data Integration, Inc., 2006 U.S. Dist. LEXIS 10106 (N.D. Cal., Feb. 23, 2006)

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff patent holder filed a motion to compel answers to interrogatories and production of documents which defendant, an alleged patent infringer, withheld as protected by the attorney-client privilege and the work product doctrine under Fed. R. Civ. P. 26.

OVERVIEW: Defendant asserted an advice-of-counsel defense in plaintiff's infringement action. Plaintiff asked the court to compel defendant to include all responsive attorney-client communications and work product regarding its non-infringement contentions in response to an interrogatory and to supplement all discovery responses to include responsive attorney-client communications and work product. The court found that defendant waived attorney-client privilege for both pre-filing and post-filing communications on the subject of the opinion on which it relied for its defense and for work product on the same subject which was communicated to defendant including documents that referenced any attorney-client communications on the subject. Because the primary concern was defendant's state of mind relative to infringement, the court held that the waiver applied to opinion counsel and trial counsel alike. Further, it was immaterial that opinion counsel and trial counsel were from the same law firm. Because plaintiff alleged that defendant continued to infringe its patents, plaintiff was entitled to information subject to waiver which defendant received even after plaintiff filed its complaint.

OUTCOME: The court granted plaintiff's motion in part and directed defendant to provide attorney-client communications with any counsel on the subject of the opinion or advice on which defendant relied, work product communicated to defendant on the same subject, and work product which reflected any communication on the subject with the exception of attorney legal opinions, impressions and trial strategy unrelated to the opinion on which defendant relied.

CORE TERMS: work product, attorney-client, communicated, infringement, patent, infringer, advice-of-counsel, work-product, state of mind, advice, discovery, willful, advice of counsel, immunity, waives, subject matter, uncommunicated, interrogatory, post-filing, waived, discoverable, impression, work product doctrine, disclosure, immaterial, infringed, infringe, trial strategy, appearance, summary judgment

LexisNexis(R) Headnotes

Patent Law > General Overview
[HN1] United States Court of Appeals for the Federal Circuit law, rather than the law of the regional circuit, applies to substantive legal issues in a patent case.

Civil Procedure > Discovery > Disclosures > General Overview
Patent Law > General Overview
[HN2] United States Court of Appeals for the Federal Circuit law applies when deciding whether particular

written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Evidence > Privileges > Attorney-Client Privilege > Waiver
Patent Law > Infringement Actions > Defenses > General Overview
[HN3] Questions of privilege and discoverability that arise from assertion of the advice-of-counsel defense necessarily involve issues of substantive patent law. The attorney-client privilege protects disclosure of communications between a client and his attorney. Once a party announces that it will rely on advice of counsel, for example, in response to an assertion of willful infringement, the attorney-client privilege is waived. The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope
[HN4] In contrast to the attorney-client privilege, the work-product doctrine, or work-product immunity as it is also called, can protect documents and tangible things prepared in anticipation of litigation that are both non-privileged and relevant. Fed. R. Civ. P. 26(b)(3). Unlike the attorney-client privilege, which protects all communication whether written or oral, work-product immunity protects documents and tangible things, such as memorandums, letters, and e-mails. The work-product immunity promotes a fair and efficient adversarial system by protecting the attorney's thought processes and legal recommendations from the prying eyes of his or her opponent.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
[HN5] A party may discover work product if the other party waives its immunity. However, work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. Instead, work-product waiver only extends to "factual" or "non-opinion" work product concerning the same subject matter as the disclosed work product.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
Evidence > Privileges > Attorney-Client Privilege > Waiver
Patent Law > Infringement Actions > Defenses > General Overview
[HN6] When a party relies on the advice of counsel as a defense to willful infringement, the party waives its attorney-client privilege for all communications between the attorney and client, including any documentary communications such as opinion letters and memoranda.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope
Patent Law > Infringement Actions > Defenses > General Overview
[HN7] In Echostar, the United States Court of Appeals for the Federal Circuit recognized at least three categories of work product that are potentially relevant to the advice-of-counsel defense: (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client. The Federal Circuit has concluded that waiver extends to the first and third categories but not to the second.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope
Patent Law > Infringement Actions > Defenses > General Overview
[HN8] In Echostar, the United States Court of Appeals for the Federal Circuit found that the relevant inquiry is not into the attorneys's files, but into the infringer's state of mind. Work-product waiver extends only so far as to inform the court of the infringer's state of mind. Counsel's opinion is not important for its legal correctness. It is important to the inquiry whether it is thorough enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable. It is what the alleged infringer knew or believed, and by contradistinction not what other items counsel may have prepared but did not communicate to the client, that informs the court of an infringer's willfulness. Where there is an allegation of continuing infringement, waiver may extend to post-filing work product as well, if it is communicated to the client. Once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement.

COUNSEL: [*1] For Informatica Corporation, a Delaware corporation, Plaintiff: Albert Lukas Sieber, Fenwick & West LLP, San Francisco, CA; Carolyn Chang, Darren E. Donnelly, J. David Hadden, David Douglas Schumann, Lynn H. Pasahow, Fenwick & West LLP, Mountain View, CA; Kenneth B. Wilson, Perkins Coie LLP, San Franciso, CA; Stefani E. Shanberg, Perkins Coie LLP, San Francisco, CA; Lynne A. Maher, Fenwick & West LLP, Palo Alto, CA.

For Business Objects Data Integration, Inc., a Delaware corporation, Defendant: Theodore T. Herhold, Daniel J. Furniss, Joseph A. Greco, Robert D Tadlock, Townsend and Townsend and Crew LLP, Palo Alto, CA; Ian L. Saffer, Townsend and Townsend and Crew LLP, Denver, CO; Leonard Joseph Augustine, Jr., Townsend and Townsend and Crew LLP, San Francisco, CA.

For Business Objects Data Integration, Inc., a Delaware corporation, Counter-claimant: Daniel J. Furniss, Joseph A. Greco, Robert D Tadlock, Townsend and Townsend and Crew LLP, Palo Alto, CA; Ian L. Saffer, Townsend and Townsend and Crew LLP, Denver, CO.

For Informatica Corporation, a Delaware corporation, Counter-defendant: Carolyn Chang, Fenwick & West LLP, Mountain View, CA.

For Business Objects Data [*2] Integration, Inc., a Delaware corporation, Counter-claimant: Joseph A. Greco, Robert D Tadlock, Townsend and Townsend and Crew LLP, Palo Alto, CA; Leonard Joseph Augustine, Jr., Townsend and Townsend and Crew LLP, San Francisco, CA.

For Informatica Corporation, a Delaware corporation, Counter-defendant: Albert Lukas Sieber, Fenwick & West LLP, San Francisco, CA.

JUDGES: JAMES LARSON, Chief Magistrate Judge.

OPINION BY: JAMES LARSON

OPINION:

ORDER GRANTING IN PART MOTION TO COMPEL (Docket # 187)

Summary

Plaintiff Informatica Corporation ("Informatica") moves to compel answers to interrogatories and production of documents which Defendant BODI withholds as protected by the attorney-client privilege and the work product doctrine. The motion is granted in part. This Court finds that BODI waived attorney-client privilege for both pre-and post-filing communications on the subject of the opinion on which it relies for its advice-of-counsel defense and for work product on the same subject which was communicated to BODI, including documents which reference any attorney-client communications on that subject. Such waiver applies to opinion counsel and trial counsel alike.

While opinion counsel [*3] and trial counsel can be walled off from each other, the immurement is immaterial - what matters, according to the Federal Circuit in *Echostar*, is the state of mind of BODI relative to infringement. It is immaterial whether BODI's opinion counsel and trial counsel are from the same firm, different firms or are even the same person. What matters is the following:

1. BODI relies on advice of counsel as a defense to Informatica's charge that it willfully infringed Informatica's patents;

2. Therefore, BODI waives any privilege for communications with counsel on the subject of the opinion or advice on which it relies, as well as work product on that subject communicated to BODI or which refers to communications on that subject; and

3. Informatica alleges that BODI continues to infringe Informatica's patents;

4. Therefore, Informatica is entitled to information subject to waiver which BODI received even after Informatica filed its complaint; and

5. The categories of information which BODI must turn over to Informatica include (a) attorney-client communications with any counsel on the subject of the opinion or advice on which BODI relies; (b) work product communicated to BODI on [*4] that same subject; (c) work product which reflects any communication on that subject.

Background

Informatica Corporation ("Informatica") is suing Business Objects Data Integration, Inc. ("BODI", formerly Acta Technology) for patent infringement. All discovery in this case has been referred by the district court (Hon. Jeffrey S. White) as provided by 28 U.S.C. § 636(b) and Civil Local Rule 72. The district court on April 18 approved the parties' stipulation re damages, expert reports and the discovery cut-off. Fact discovery closed June 5, 2006.

BODI contends that disclosures of privileged information and the deposition of opinion counsel should be delayed until after the parties file their motions for summary judgment. Pursuant to the order setting dates, [Docket No. 147], BODI produced its written opinions of counsel on January 31, 2006. Tadlock Decl. P 11. Infor-

matica recently has sought to depose both the attorney who authored the opinions, and also the BODI representative who received the opinion (who happens to be BODI's in-house counsel). *Id.* P 12. Such depositions would require further disclosure of attorney-client communications and attorney [*5] work product at a time when the parties are preparing expert reports and motions for summary judgment. *Id.* Summary judgment motions were scheduled to be filed by June 16, 2006 and argued on August 4, 2006. [Docket No. 147]. However, Judge White vacated the hearing on summary judgment because, although the parties agreed to try the case on the basis of representative claims, they cannot agree on what those claims are:

> Although both parties agree that this Court may utilize a representative claims approach for trial, they disagree over what those representative claims should be. The Court exhorts the parties further meet and confer in person in an effort to resolve this dispute and submit a status report by no later than June 26, 2006. Until this dispute is resolved, the Court cannot proceed with the current schedule set for dispositive motions in this matter.

(Order filed 6/12/2006, at docket # 224)

The parties on June 26 advised the district court that they would be submitting a stipulation as to the representative claims. (Status Report at Docket # 225) The district court on July 5 approved the parties' stipulation extending damages expert discovery to August [*6] 31 (Docket # 229).

Discovery Dispute

This Court received the parties' joint letter brief arguing the merits of their positions on the scope of any waiver of the attorney-client privilege and the work product doctrine resulting from BODI's assertion of the advice-of-counsel defense. An additional wrinkle is that one of the attorneys who rendered an opinion on infringement is a member of the same firm which represents BODI in this litigation.

Informatica asks this Court to compel BODI to include all responsive attorney-client communications and work product regarding its non-infringement contentions in response to Interrogatory No. 3, and supplement all discovery responses to include responsive attorney-client communications and work product. Furthermore, Informatica asks the Court to order the Townsend firm and attorney Philip H. Albert to produce all attorney-client communications and attorney work product regarding infringement or non-infringement of the patents-in-suit in response to the subpoenas issued by Informatica.

In its portion of the letter brief, BODI "respectfully requests that it be allowed full briefing on the merits if the Court were to consider granting Informatica's [*7] motion in whole or in part." (Letter brief, Docket # 187, at pages 3 and 4)

The Court was inclined to grant Informatica's motion and ordered the parties to brief the issue of the existence and scope of the waiver of both attorney-client privilege and the work product doctrine, particularly in light of the following authorities: *AKEVA L.L.C. v Mizuno Corporation*, 243 F. Supp. 2d 418 (M.D.N.C. 2003); *Novartis Pharmaceuticals Corporation v. Eon Labs Manufacturing, Inc.*, 206 F.R.D. 396 (D.Del. 2002); *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98 (S.D.N.Y. 2004); David Hricik, *How Things Snowball: The Ethical Responsibilities and Liability Risks Arising from Representing a Single Client in Multiple Patent-related Representations*, Georgetown Journal of Legal Ethics, Spring 2005, 18 Geo. J. Legal Ethics 421.

The parties then requested an opportunity also to brief the impact on this case of the decision by the Federal Circuit in the case of *In re EchoStar Communications Corp.* 448 F.3d 1294 (Fed. Cir. 2006), which was decided May 1, 2006. The Court granted their request and briefing was submitted. [*8] The Court took the matter under submission.

Argument

BODI argues that this Court should give precedence to the Federal Circuit's decisions and specifically *Echostar*, which absolved from disclosure any work product not disclosed to the client.

> When an alleged patent infringer asserts an advice-of-counsel defense regarding willful infringement, it waives its attorney-client privilege and work-product 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; waiver includes not only any letters, memorandum, conversation, or the like between the attorney and his or her client, but, when appropriate, any documents referencing a communication between attorney and client.

Id. at 1304.

BODI argues that there is a significant difference between the same individual lawyer being both opinion and litigation counsel and those roles being played by different lawyers with the same firm. BODI contends that "[w]here the same individual lawyer does not act as both trial and opinion counsel, the proper balance is to not require disclosure [*9] of such sensitive communications, which are not relevant to the alleged infringer's state of mind. [Docket No. 198, P 4-6.]"

BODI urges this Court to "not extend the waiver of attorney-client privilege to BODI's trial counsel, but rather follow the Northern District cases that find the trial counsel's communications are not discoverable. *E.g.*, *Sharper Image Corp. v. Honeywell International Inc.*, 222 F.R.D. 621 at 634-46 (N.D.Cal. 2004); *Collaboration Properties, Inc. v. Polycom, Inc.*, 224 F.R.D. 473 at 475-77 (N.D.Cal. 2004); *Terra Novo, Inc. v. Golden Gate Products, Inc.*, 2004 U.S. Dist. LEXIS 20429, 2004 WL 2254559 at * 3 (N.D.Cal. 2004) ."

This Court examined those cases and finds they are factually distinguishable: in *Sharper Image* there was separately retained litigation counsel. In *Collaboration Properties* trial counsel did not provide any pre-litigation advice. In *Terra Novo*, trial and litigation counsel were with separate firms. Consequently, BODI's citation to these cases is not than convincing.

BODI asks this Court to interpret *EchoStar* to hold that attorney work product is not discoverable unless it is communicated to the client [*10] or discusses a communication with a client. *In re EchoStar*, 448 F.3d at 1305. ("counsel's legal opinions and mental impressions that were not communicated . . . are . . . not within the scope of the waiver . . . work product that was not communicated to EchoStar or does not reflect a communication is not within the scope of EchoStar's waiver because it obviously played no part in EchoStar's belief as to infringement of the '389 patent." *Id.*

The Federal Circuit reasoned that "if a legal opinion or mental impression was never communicated to the client, then it provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work-product doctrine." *Id.* at 1304. Thus, says BODI, if this Court orders production of any of trial counsel's materials, it should extend only to materials that were communicated to BODI, not uncommunicated work product. BODI asks the Court not to ignore this clear mandate from *EchoStar*.

Informatica argues that BODI's trial counsel's uncommunicated work product is discoverable because Mr. Albert and BODI's trial [*11] counsel are from the same law firm. [Docket No. 206 at 7-8.] To the extent that Informatica relies on *Novartis* for this proposition, BODI asks the Court to find that case distinguishable because there the same individual attorney acted as both opinion and trial counsel. *Novartis Pharms. Corp. v. Eon Labs Mfg.*, 206 F.R.D. 392, 393 (D. Del. 2002) ("Eon's opinion counsel, Mr. Pontani, has actually entered an appearance in this matter.") BODI points to the appearance by opinion counsel in *Novartis* as distinguishing that case from the case at bar, where opinion counsel has not made an appearance.

Moreover, to the extent *Novartis* is inconsistent with *EchoStar*, BODI urges this Court to rule that the former is no longer good law and deny Informatica's motion to compel production of uncommunicated work product. BODI argues that *EchoStar* directly contradicts this argument. With regard to work product, the Federal Circuit determined that uncommunicated work product "provides little if any assistance" in determining a defendant's state of mind. *In re EchoStar*, 448 F.3d at 1305.

That Mr. Albert and BODI's trial counsel are members of the [*12] same firm, argues BODI, has no bearing on whether any given work product document was communicated to BODI, in which case it might affect BODI's state of mind, or uncommunicated, in which case it would not. BODI asks this Court to find, under the rationale of *EchoStar*, that the identity of the lawyer providing the opinion and that lawyer's affiliation, if any, with a law firm, is irrelevant and that the sole relevant inquiry is what the alleged infringer knew or did not know.

Informatica also claims that BODI's trial counsel must produce its communications and work product because Mr. Albert allegedly was not in any way separated from BODI's trial counsel. Mr. Albert has stated under oath that he has never been a member of the Townsend litigation team and that his last communication with trial counsel about the Informatica patents-in-suit was over three years ago, on November 14, 2002. [See Docket No. 199 P 6]. There is no evidence that Mr. Albert communicated with BODI's trial counsel, even though they are members of the same firm as Mr. Albert.

Finally, BODI asks the Court for procedural reasons not to compel any further response to Interrogatory 3, which it [*13] contends is improper for reasons that have nothing to do with the work product doctrine and the waiver resulting from the advice-of-counsel defense. BODI contends that any dispute over BODI's response to Interrogatory 3 was resolved during the meet and confer between counsel, and the decision by the court in *EchoStar* does not affect this resolution. Prior to filing this motion, counsel for BODI agreed to supplement its response to Interrogatory 3, but at all times maintained

that it would not conduct any product comparisons requested by the interrogatory that had not been previously conducted, and that it would not create work product that did not already exist. [Docket No. 201 PP 5-6 & Exh. 3.]

Counsel for Informatica admits that this is all that BODI's counsel agreed to do, [Docket No. 207 P 6], but now contends that this agreement was not a resolution of the dispute, but rather was a unilateral agreement by BODI to provide additional information, which Informatica could then review and either accept or reject. [Id. P 7.] BODI says it did not agree to provide a supplemental response simply so Informatica could review it and then file this motion [*14] anyway. Rather, says BODI, the agreement was that BODI's production of the supplemental response would resolve all disputed issues. [Docket No. 201 P 5, 9.]

This Court is not in a position to enforce agreements over which the parties now disagree. It can only apply the law to the facts in this case, and therefore declines to base its decision on any putative agreement between the parties. The legal and factual analysis follows.

Analysis

The question before this Court is the scope of the waiver of privilege by BODI after it asserted an advice-of-counsel defense.

[HN1] Federal Circuit law, rather than the law of the regional circuit, applies to substantive legal issues in a patent case.

> In this petition, we apply our own law, rather than the law of the regional circuit. This case involves the extent to which a party waives its attorney-client privilege and work-product immunity when it asserts the advice-of-counsel defense in response to a charge of willful patent infringement. [HN2] "Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent [*15] law."

In re EchoStar, 448 F.3d at 1298.

In the underlying case, TiVo sued EchoStar for infringement of its U.S. Patent No. 6,233,389 ("the '389 patent"). In response to the allegation of willful infringement, EchoStar asserted the defense of reliance on advice of counsel. Prior to filing the action, EchoStar relied on advice of in-house counsel. After the action was filed, EchoStar obtained additional legal advice from Merchant & Gould but elected not to rely on it. Presumably to explore further EchoStar's state of mind in determining that it did not infringe the patent, TiVo sought production of documents in the possession of EchoStar and Merchant & Gould.

The district court ultimately found waiver of immunity for all work product of Merchant and Gould, both pre and post-filing of the complaint, whether or not communicated to EchoStar. Echostar petitioned the Federal Circuit for a writ of mandamus with respect to Merchant and Gould documents not communicated to EchoStar. No in-house counsel documents were at issue.

[HN3] Questions of privilege and discoverability that arise from assertion of the advice-of-counsel defense necessarily involve issues of substantive [*16] patent law, *see In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803-04 (Fed.Cir.2000) (applying Federal Circuit law to question of attorney-client privilege between patent attorney and patentee). *Id.*

The attorney-client privilege protects disclosure of communications between a client and his attorney. *United States v. Zolin*, 491 U.S. 554, 562, 109 S. Ct. 2619, 105 L. Ed. 2d 469 (1989); *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981). Once a party announces that it will rely on advice of counsel, for example, in response to an assertion of willful infringement, the attorney-client privilege is waived. "The widely applied standard for determining the scope of a waiver of attorney-client privilege is that the waiver applies to all other communications relating to the same subject matter." *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed.Cir. 2005). Cited in *In re EchoStar*, 448 F.3d at 1298-1299.

[HN4] In contrast to the attorney-client privilege, the work-product doctrine, or work-product immunity as it is also called, can protect "documents and tangible things" prepared in anticipation of litigation that are both non-privileged and [*17] relevant. Fed.R.Civ.P. 26(b)(3). Unlike the attorney-client privilege, which protects all communication whether written or oral, work-product immunity protects documents and tangible things, such as memorandums, letters, and e-mails. The work-product immunity promotes a fair and efficient adversarial system by protecting "the attorney's thought processes and legal recommendations" from the prying eyes of his or her opponent. *In re EchoStar*, 448 F.3d at 1301.

[HN5] A party may discover work product if the other party waives its immunity. However, work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. Instead, work-product waiver only extends to "factual" or "non-opinion" work product concerning the same

subject matter as the disclosed work product. *Id.* at 1302 (internal citations omitted).

[HN6] When a party relies on the advice of counsel as a defense to willful infringement the party waives its attorney-client privilege for all communications between the attorney and client, including any documentary communications such as opinion letters and [*18] memoranda. *Id.* (*citing* *AKEVA LLC*, 243 F.Supp.2d at 423.

[HN7] The court in *Echostar* recognized at least three categories of work product that are potentially relevant to the advice-of-counsel defense: (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client. The court concluded that waiver extends to the first and third categories but not to the second. *In re Echostar*, 448 F3d at 1303.

[HN8] The court in *Echostar* found that the relevant inquiry is not into the attorneys's files, but into the infringer's state of mind:

> Work-product waiver extends only so far as to inform the court of the infringer's state of mind. Counsel's opinion is not important for its legal correctness. It is important to the inquiry whether it is "thorough [*19] enough, as combined with other factors, to instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable." It is what the alleged infringer knew or believed, and by contradistinction not what other items counsel may have prepared but did not communicate to the client, that informs the court of an infringer's willfulness.

In re EchoStar, 448 F.3d at 1303 (internal citation omitted)

Where there is an allegation of continuing infringement, waiver may extend to post-filing work product as well, if it is communicated to the client.

> EchoStar contends that waiver of opinions does not extend to advice and work product given after litigation began. While this may be true when the work product is never communicated to the client, it is not the case when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation.

See *AKEVA LLC*, 243 F.Supp.2d at 423 ("[O]nce a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement.") *In re EchoStar*, 448 F.3d at 1303. [*20]

In the case at bar, Informatica alleges that BODI continues to infringe Informatica's patents (Complaint at paragraphs 13, 15, 17, 18, 20, 24, 25, 27, 29 and 31.)

Conclusion and Order

This Court, after weighing all the persuasive authority, concludes that the Federal Circuit has the final word in a patent case on the subject of the scope of waiver of attorney-client privilege and the work product protection for discovery relevant to a substantive issue after assertion of the advice-of-counsel defense. The court in *Echostar* makes it crystal clear that attorney-client communications on the subject of the opinion BODI relies on for its defense are subject to waiver, as well as documents, including work product, which reference these communications. Similarly, both pre-and post-filing work product is potentially relevant to the alleged infringer's intent where there is an allegation of continuing infringement and are therefore also subject to waiver. However, only work product which has either been communicated to the alleged infringer or refers to communications is relevant to intent and therefore subject to waiver by assertion of the advice-of-counsel defense.

This Court [*21] finds that, according to the analysis in *Echostar*, what is significant is the state of mind of BODI and not the affiliation of BODI's attorneys, and that privilege has been waived with respect to pertinent communications and work product of all counsel in this case. Attorney legal opinions, impressions and trial strategy unrelated to the opinion on which BODI relies may be redacted from documents to be produced to Informatica. The Federal Circuit in *Echostar* cautioned that the parties should protect such information.

> Still, we must emphasize that such communications may contain work product of the second kind-legal analysis that was

> not communicated. In those situations, the parties should take special care to redact such information, and if necessary the district court may review such material in camera.

In re EchoStar, 448 F.3d at 1304.

While opinion counsel and trial counsel can be walled off from each other, the immurement is immaterial - what matters, according to the decision by the Federal Circuit in *Echostar*, is the state of mind of BODI.

For all the above reasons, Informatica's motion to compel furher responses from BODI is granted. [*22] This Court finds that, by asserting advice of counsel as a defense to a charge of willful infringement of Informatica's patents, BODI waived privilege for both pre-and post-filing pertinent attorney-client communications and work product. Under the analysis in *Echostar*, it is immaterial whether BODI's opinion counsel and trial counsel are from the same firm, different firms or are even the same person. What matters is that:

1. BODI relies on advice of counsel as a defense to Informatica's charge that it willfully infringed Informatica's patents;

2. Therefore, BODI waives privilege for communications with counsel on the subject of the opinion or advice on which it relies as well as work product on that subject communicated to BODI or which refers to communications on that subject;

3. Informatica alleges that BODI continues to infringe Informatica's patents;

4. Therefore Informatica is entitled to information subject to waiver which BODI received even after Informatica filed its complaint;

5. The categories of information which BODI must turn over to Informatica include (a) attorney-client communications with any counsel on the subject of the opinion or advice on which BODI [*23] relies; (b) work product communicated to BODI on that same subject; (c) work product which reflects any communication on that subject.

Attorney legal opinions, impressions and trial strategy unrelated to the opinion on which BODI relies may be redacted from documents to be produced to Informatica.

All responsive discovery which is being withheld as privileged for which privilege has been waived as discussed above shall be produced within twenty days of the e-filing of this order. BODI shall at the same time produce a privilege log for all other withheld documents, in compliance with the decision in *In re Grand Jury Investigation*, 974 F.2d 1068, 1070 (9th Cir. 1992), citing *Dole v. Milonas*, 889 F.2d 885, 888 n. 3, 890 (9th Cir. 1989).

IT IS SO ORDERED.

DATED: July 14, 2006

JAMES LARSON

Chief Magistrate Judge

LEXSEE

INFORMATICA CORPORATION, a Delaware Corporation, Plaintiff, v. BUSINESS OBJECTS DATA INTEGRATION, INC., formerly known as ACTA TECHNOLOGY, INC., a Delaware Corporation, Defendants. AND RELATED COUNTERCLAIMS.

No. C 02-3378 JSW

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

2006 U.S. Dist. LEXIS 58976

August 9, 2006, Decided
August 9, 2006, Filed

PRIOR HISTORY: Informatica Corp. v. Bus. Objects Data Integration, Inc., 2006 U.S. Dist. LEXIS 53429 (N.D. Cal., July 14, 2006)

CASE SUMMARY:

PROCEDURAL POSTURE: In a patent infringement action, defendant corporation filed an objection to a magistrate judge's discovery order, which granted in part and denied in part a motion filed by plaintiff corporation. At issue was the scope of the waiver of the attorney-client privilege when defendant relied on advice of counsel to defend against allegations of willful infringement.

OVERVIEW: A technology company hired an attorney from a certain law firm for advice regarding plaintiff's patents. After the attorney provided his written opinions, plaintiff filed the instant patent infringement action against the company. After acquiring the company, defendant asked another attorney from the firm to represent defendant in the instant action. Defendant asked a lawyer from another firm for opinions in light of a claim construction order. The magistrate held that defendant waived the attorney-client privilege for all communications on the subject of the opinion on which defendant relied for its advice-of-counsel defense and for work product on the same subject that was communicated to defendant. Applying the law of the Federal Circuit, the court found no support for defendant's contention that the waiver did not include opinions or advice given by trial counsel on the same subject matter given by the attorney who gave the original opinions regarding plaintiff's patents. When a party defended its action by disclosing an attorney-client communication, it waived the attorney-client privilege as to all such communications regarding the same subject matter.

OUTCOME: The court denied defendant's objections and affirmed the discovery order. The court ordered defendant to produce all responsive documents and a privilege log in compliance with the discovery order.

CORE TERMS: advice, attorney-client, infringement, subject matter, advice of counsel, work product, trial strategy, in-house, waive, advice-of-counsel, waived, clearly erroneous, contrary to law, implicate, discovery dispute, communicated, pertaining, willful, lawsuit, patent

LexisNexis(R) Headnotes

Civil Procedure > Judicial Officers > Magistrates > Pretrial Orders

[HN1] A district court may modify or set aside any portion of a magistrate's ruling on non-dispositive pre-trial motions found to be clearly erroneous or contrary to law. Fed. R. Civ. P. 72(a). A ruling is clearly erroneous if the reviewing court, after considering the evidence, is left with the definite and firm conviction that a mistake has been committed.

Civil Procedure > Discovery > Disclosures > General Overview
Patent Law > General Overview

[HN2] Federal Circuit law applies when deciding whether particular written or other materials are discov-

erable in a patent case, if those materials relate to an issue of substantive patent law.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Evidence > Privileges > Attorney-Client Privilege > Waiver
Patent Law > Inequitable Conduct > Effect, Materiality & Scienter > Elements
Patent Law > Infringement Actions > Infringing Acts > Intent & Knowledge
[HN3] Where a party announces that it will rely on advice of counsel in response to an assertion of willful infringement, it waives the attorney-client privilege.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
Evidence > Privileges > Attorney-Client Privilege > Waiver
Patent Law > Infringement Actions > Defenses > General Overview
[HN4] Because patent infringement is a continuing activity, the requirement to exercise due care and seek and receive advice is a continuing duty. Therefore, once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement. Consequently, the waiver of attorney-client privilege or work product protection covers all points of time, including up through trial. The waiver also is not limited to the advice given by opinion counsel. Since the waiver encompassed the subject matter of advice, that means that all opinions received by the client must be revealed, even those opinions that the client receives from attorneys other than opinion counsel. The totality of the circumstances test requires that all knowledge gained by the infringer relating to the advice subject matter must be revealed so that the factfinder can make its own determination as to whether the reliance was reasonable.

COUNSEL: [*1] For Informatica Corporation, a Delaware corporation, Plaintiff: Albert Lukas Sieber, David Michael Lacy Kusters, Fenwick & West LLP, San Francisco, CA; Carolyn Chang, Darren E. Donnelly, David Douglas Schumann, J. David Hadden, Lynn H. Pasahow, Ryan Aftel Tyz, Fenwick & West LLP, Mountain View, CA; Kenneth B. Wilson, Stefani E. Shanberg, Perkins Coie LLP, San Francisco, CA; Lynne A. Maher, Fenwick & West LLP, Palo Alto, CA.

For Business Objects Data Integration, a Delaware corporation, Defendant: Theodore T. Herhold, Daniel J. Furniss, Joseph A. Greco, Robert D Tadlock, Townsend and Townsend and Crew LLP, Palo Alto, CA; Ian L. Saffer, Townsend and Townsend and Crew LLP, Denver, CO; Leonard Joseph Augustine, Jr., Townsend and Townsend and Crew LLP, San Francisco, CA.

For Business Objects Data Integration, a Delaware corporation, Counter-claimant: Daniel J. Furniss, Joseph A. Greco, Robert D Tadlock, Townsend and Townsend and Crew LLP, Palo Alto, CA; Ian L. Saffer, Townsend and Townsend and Crew LLP, Denver, CO; Leonard Joseph Augustine, Jr., Townsend and Townsend and Crew LLP, San Francisco, CA.

For Informatica Corporation, a Delaware corporation, Counter-defendant: Carolyn [*2] Chang, Fenwick & West LLP, Mountain View, CA; Albert Lukas Sieber, David Michael Lacy Kusters, Fenwick & West LLP, San Francisco, CA.

JUDGES: JEFFREY S. WHITE, UNITED STATES DISTRICT JUDGE.

OPINION BY: JEFFREY S. WHITE

OPINION:

ORDER DENYING DEFENDANTS' OBJECTIONS AND AFFIRMING THE DISCOVERY ORDER

Now before the Court is the objection filed by Defendant Business Objects Data Integration, Inc. ("BODI"), formerly known as Acta Technology, Inc., ("ACTA"), to the order issued by Chief Magistrate Judge James Larson dated July 14, 2006 granting in part and denying in part a motion filed by Plaintiff Informatica Corporation ("Informatica") (the "Discovery Order"). Having carefully reviewed the parties' papers and considered their arguments and the relevant legal authority, and good cause appearing, the Court hereby DENIES Defendants' objections and AFFIRMS the Discovery Order.

[HN1] The District Court may modify or set aside any portion of a magistrate's ruling on non-dispositive pre-trial motions found to be "clearly erroneous or contrary to law." Fed. R. Civ. P. 72(a); *see also, e.g., Grimes v. City & County of S.F.*, 951 F.2d 236, 241 (9th Cir. 1991). [*3] A ruling is clearly erroneous if the reviewing court, after considering the evidence, is left with the "definite and firm conviction that a mistake has been committed." *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 92 L. Ed. 746 (1948).

The discovery dispute at issue concerns the scope of the waiver when a defendant relies on advice of counsel to defend against allegations of willful infringement. In November 2000, ACTA hired attorney Phil Albert with Townsend and Townsend and Crew LLP ("Townsend") to advise it regarding several Informatica patents. Mr. Albert provided his written opinions on June 27, 2002. On July 15, 2002, Informatica filed this instant lawsuit against ACTA. BODI acquired ACTA on August 26, 2002. BODI had used Daniel J. Furniss with Townsend as its patent litigation counsel since 1996. After purchasing ACTA, BODI asked Mr. Furniss to represent BODI in the instant lawsuit. Since communicating his opinions in June 2002, Mr. Albert has had three conversations on background issues with trial counsel at Townsend, the last of which occurred on November 14, 2002. After this Court issued its claim construction ruling in August 2005, BODI asked Bruce Riter, an attorney [*4] who is not affiliated with Townsend, to provide further opinions in light of the claim construction order. BODI represents that it has produced all communications and work product by Mr. Albert and Mr. Riter pertaining to their respective opinions, but has refused to produce communications or work product by trial counsel at Townsend.

In the Discovery Order, Judge Larson held that BODI waived attorney-client privilege for both pre-and post-filing communications on the subject of the opinion on which BODI relies for its advice-of-counsel defense and for work product on the same subject which was communicated to BODI, including any documents which reference any attorney-client communications on that subjection. Judge Larson further held that the waiver applied to opinion counsel and trial counsel alike. BODI objects to the Discovery Order, arguing that Judge Larson erred by applying the waiver to its trial counsel.

This Court must apply Federal Circuit law to this discovery dispute. *See In re EchoStar Communs. Corp.*, 448 F.3d 1294, 1298 (Fed. Cir. 2006) (quoting *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1307 (Fed. Cir. 2001) [*5] [HN2] ("Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law.")). [HN3] Where a party announces that it will rely on advice of counsel in response to an assertion of willful infringement, it waives the attorney-client privilege. *In re EchoStar*, 448 F.3d at 1299. The dispute here concerns the scope of this waiver.

In *In re EchoStar*, the defendant produced an opinion from in-house counsel, but withheld an opinion from outside counsel on which EchoStar chose not to rely. The Federal Circuit held that "when EchoStar chose to rely on the advice of in-house counsel, it waived the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel. . . ." *Id.* at 1299 (citing *Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003)). The court reasoned that "selective waiver of the privilege may lead to the inequitable result that the waiving party could waive its privilege for favorable advice while asserting [*6] its privilege on unfavorable advice." *Id.* at 1301. To prevent such abuse, the court held that "when a party defends its action by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter." *Id.*

> As authority for its holding, the Federal Circuit cited *Akeva*, which held that
>
> [HN4] because infringement is a continuing activity, the requirement to exercise due care and seek and receive advice is a continuing duty. Therefore, once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement. Consequently, the waiver of attorney-client privilege or work product protection covers all points of time, including up through trial. The waiver also is not limited to the advice given by opinion counsel. Since the waiver encompassed the subject matter of advice, that means that all opinions received by the client must be revealed, even those opinions that the client receives from attorneys other than opinion counsel. . . . The totality of the circumstances test requires that all knowledge gained by the infringer [*7] relating to the advice subject matter must be revealed so that the factfinder can make its own determination as to whether the reliance was reasonable.

Akeva, 243 F. Supp. 2d at 423. *In Akeva*, the court found that the defendants waived the attorney-client privilege with respect to the issue of infringement, and therefore required the defendants to disclose "all opinions received by the client relating to infringement . . ., even if they [came] from defendants' trial attorneys, and even if they pre-date[d] or post-date[d] the advice letter of opinion counsel." *Id.*

The holding of *In re EchoStar*, especially when it is considered in light of the *Akeva* case, does not provide any support for BODI's proposed limitation on the scope of the waiver to exclude opinions or advice given by trial counsel on the same subject matter of the opinion given by Mr. Albert. Accordingly, the Court finds that Judge Larson's ruling was not clearly erroneous or contrary to law. Therefore, this Court denies Defendants' objections and affirms the Discovery Order dated July 14, 2006.

Nevertheless, this Order should not be construed to require the wholesale disclosure [*8] of communications pertaining to trial or litigation strategy. As the court explained in *Convolve, Inc. v. Compaq Computer Corp.*, 224 F.R.D. 98, 105 (S.D.N.Y. 2004), "trial counsel's advice that undermines the reasonableness of the client's reliance on advice of counsel must be disclosed even if it is communicated in the context of trial preparation. But, at the same time, trial counsel will surely address with the client trial strategy concerning validity, infringement, and enforcement in ways that do not implicate the advice-of-counsel defense." BODI therefore is required to disclose trial counsel's opinions or advice that address the subject matter of the opinion given by Mr. Albert, but may withhold communications that relate to litigation or trial strategy and do not implicate the advice-of-counsel defense. Thus, as Magistrate Judge Larson ordered, "[a]ttorney legal opinions, impressions and trial strategy unrelated to the opinion on which BODI relies may be redacted from documents to be produced to Informatica."

BODI is directed to produce all responsive documents and a privilege log in compliance with the Discovery Order by no later than 9:00 a.m. on Friday, [*9] August 11, 2006.

IT IS SO ORDERED.

Dated: August 9, 2006

JEFFREY S. WHITE

UNITED STATES DISTRICT JUDGE

LEXSEE

OUTSIDE THE BOX INNOVATIONS, LLC, d/b/a UNION RICH USA, Plaintiff Counter-Defendant, v. TRAVEL CADDY, INC., and ROOSTER PRODUCTS, d/b/a THE ROOSTER GROUP, Defendants. TRAVEL CADDY, INC., Counter-Plaintiff Counter-Defendant, v. OUTSIDE THE BOX INNOVATIONS, LLC, d/b/a UNION RICH USA; UNION RICH PLASTIC FACTORY, LTD.; BONAKA LIMITED, Counter-Defendants.

CIVIL ACTION No. 1:05-cv-2482-ODE

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION

2006 U.S. Dist. LEXIS 74060

October 5, 2006, Decided
October 6, 2006, Filed

COUNSEL: [*1] For Outside The Box Innovations, LLC doing business as Union Rich USA, Plaintiff: Joel D. Myers, LEAD ATTORNEY, Myers & Kaplan, Atlanta, GA; Ashish D. Patel, Myers & Kaplan, Atlanta, GA; Barry E. Kaplan, Myers & Kaplan Intellectual Property Law, LLC, Atlanta, GA.

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JUDGES: ORINDA D. EVANS, UNITED STATES DISTRICT JUDGE.

OPINION BY: ORINDA D. EVANS

OPINION:

ORDER

This case is before the Court pursuant to its oral direction made during the hearing held August 24, 2006 concerning Travel Caddy's subpoena issued to Mandy Wilson Decker.

On August 7, 2006, Travel Caddy issued a subpoena for deposition and for production of documents in the Western District of Kentucky to a non-party in this case, Mandy Wilson Decker [# 185]. On August 9, 2006, Union Rich filed an Emergency **[*3]** Motion for Protective Order Regarding the Deposition of Mandy Wilson Decker [# 187]. At the August 24 hearing, the motion for protective order was granted and the Court directed the parties to file briefs on the subject of whether, and to what extent, Union Rich had waived attorney-client privilege and work-product immunity by relying on the advice-of-counsel defense to Travel Caddy's patent infringement claims. By order dated August 25, 2006, the Court ordered that the subpoena for deposition and for production of documents and related motions filed in the Western District of Kentucky which were presented at the hearing be made a part of the record in this case by Order dated [# 232].

The Court notes that Union Rich, Travel Caddy, and Ms. Decker have filed briefs with the Court on this issue [# s 243, 244, 245, 254, 255].

Ms. Decker, an associate at the law firm of Stites & Harbison, served as the initial opinion counsel to Union Rich in connection with what ultimately became the present lawsuit. In this role, Ms. Decker provided opinion letters to Union Rich on potential infringement issues related to the two patents-in-suit, the '992 patent and the '104 patent. Stites & **[*4]** Harbison also served as Union Rich's original litigation counsel, and filed this lawsuit on behalf of Union Rich. As a defense to the charges of willful patent infringement subsequently brought by Travel Caddy, Union Rich has adopted the advice-of-counsel defense. Travel Caddy is seeking to depose Ms. Decker in connection with her role as opinion counsel.

In addition to deposing Ms. Decker, Travel Caddy has demanded the production of certain documents, through a subpoena served on Ms. Decker as an individual. Specifically, and central to the present dispute over the scope of waiver of privilege, is Travel Caddy's request for:

> All documents that reflect communications (including all electronic communications) between Union Rich and any attorney at the law firm of Stites & Harbison that relate to the scope, validity, infringement, and/or enforceability of the '992 and '104 patents, including any and all attorney notes, summaries, documents and drafts of documents related to the same subject matters and that embody or discuss a communication between an attorney at Stites & Harbison and Union Rich.

(Notice of Deposition of Mandy Wilson Decker, Exhibit A [# 185]). Both **[*5]** Union Rich and Ms. Decker independently object to this request.

All interested parties agree that this Court should be guided by the holding of In re Echostar, a recent Federal Circuit decision that has addressed the scope of waiver of privilege in the context of an advice-of-counsel defense to willful patent infringement. 448 F.3d 1294, 1298 (Fed. Cir. 2006). In adopting the advice-of-counsel defense, the alleged infringer waives aspects of both the attorney-client privilege and work-product immunity, but these waivers are not the same in scope, and neither is absolute. Id. at 1300-01. Because the advice-of-counsel defense "requires the court to decide, inter alia, whether counsel's opinion was thorough enough to 'instill a belief in the infringer that a court might reasonably hold the patent is invalid, not infringed, or unenforceable,'" the focus in determining the scope of waiver is on the act of communicating an opinion from counsel to client. Id. at 1305 quoting, Ortho Pharm. Corp. v. Smith, 959 F.2d 936, 944 (Fed. Cir. 1992).

With respect to the attorney-client privilege, the Federal Circuit held that, **[*6]** "when a party defends its actions by disclosing an attorney-client communication, it waives the attorney-client privilege as to all such communications regarding the same subject matter." Id. at 1301. This broad waiver explicitly covers opinions that were communicated by Ms. Decker to Union Rich, and is the reason that Union Rich made no issue with, and produced to Travel Caddy, the opinions requested in the original subpoena. (Notice of Deposition of Mandy Wilson Decker, Exhibit A [# 185]). With respect to work product immunity, the Federal Circuit held that such immunity is waived "for any document or opinion that embodies or discusses a communication to or from [an accused infringer] concerning whether that patent is valid, enforceable, and infringed by the accused." Echostar, 448 F.3d at 1304. In general terms, the application of Echostar to this case dictates that, "[attorney] work product that was not communicated to [Union Rich] or does not reflect a communication is not within the scope of [Union Rich's] waiver because it obviously played no part in [Union Rich's] belief as to infringement of the ['992 and '104] patent[s]." Id. at 1305. **[*7]** This general statement does not address all of the parties' arguments, however.

Union Rich argued at the Markman hearing on August 24, 2006, that Ms. Decker provided no opinion as to the validity of the '104 patent, and Ms. Decker argued in the Response of Non-Party Mandy Wilson Decker, Esg. to Travel Caddy Inc.'s Subpoena for Deposition and Production of Documents [# 243] that she must only testify as to the validity of the '992 patent. Union Rich appears to have abandoned this argument in its filings on the scope of waiver, and has acknowledged that it "makes no issue in producing all 'opinions of counsel' provided to and relied upon by the client [], and has done so." (Union Rich's Memorandum Regarding Scope of Waiver of Privilege, at 3 [# 245]). If Union Rich has indeed produced all such documents, then the dispute over whether Ms. Decker provided an opinion as to the scope, validity, infringement and/or enforceability of the '104 Patent is moot.

However, Ms. Decker argued in her filings that she did not provide an opinion on the '104 Patent, only the '992 Patent and the application for what would become the '104 Patent. Ms. Decker also argued that any advice on the **[*8]** '104 Patent application is outside the scope of waiver, as defined by Travel Caddy. According to Ms. Decker, because there can be no infringement until a patent is issued, and because Travel Caddy has stated that the scope of waiver is limited to "advice received during the entire course of infringement," Ms. Decker's advice on the '104 application is protected by the waiver.

The Court agrees with Travel Caddy that by giving her opinion on the '104 Patent application, Ms. Decker gave her opinion on the '104 Patent, and Union Rich has therefore waived its privilege with respect to the requested communications. First, the claims of the '104 Patent are identical to the claims that appeared in the '104 Patent application reviewed by Ms. Decker. Second, the alleged infringement in this case began with the '992 Patent, and the '104 Patent is a continuation of the '992 Patent. Therefore, while there can be no infringement until a patent is issued, advice about a pending continuation patent is highly relevant to the central issue in willful infringement, the state of mind of the alleged infringer.

Ms. Decker has also raised the argument that much of what Travel Caddy has demanded she produce, **[*9]** through a subpoena of her as an individual, is beyond her legal ability to produce. (Response of Non-Party Mandy Wilson Decker, at 7 [# 243]). Travel Caddy interprets the Echostar decision as requiring Union Rich to "produce all communications that embody or reflect communications between Union Rich and any counsel -- not merely Ms. Decker. This includes communications with other attorneys at Ms. Decker's firm, as well as communications with litigation counsel." (Defendants' Submission Concerning the Scope of Union Rich's Waiver of Privilege, at 10 [# 244]). Travel Caddy is correct that the Echostar decision held that if a defendant relies on the advice-of-counsel defense with respect to advice received from in-house counsel, then the waiver of attorney-client privilege applies to advice "relating to the same subject matter" received from other counsel. Echostar, 448 F.3d at 1299. However, a subpoena served on Ms. Decker is not the appropriate method for procuring the requested documents.

Ms. Decker, as an associate at Stites & Harbison, cannot produce documents under the control of Myers & Kaplan, Union Rich's current litigation counsel, nor can she **[*10]** produce documents that are controlled by her own law firm. Rule 45(a)(1)(C) limits the production of documents available through a subpoena to "documents or tangible things in the possession, custody or control of that person." Fed. R. Civ. P. 45(a)(1)(C).

Travel Caddy has argued that it is entitled to communications that occurred after the commencement of this lawsuit. The Federal Circuit stated in a footnote that privilege is waived, "when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation." Id. at 1302 n.4. However, the requirement that the advice be communicated to the alleged infringer remains, even when applied to advice that occurs after the commencement of litigation. Id. at 1302.

While Echostar instructs courts to be mindful of a litigant attempting to "use[] the attorney-client privilege as both a sword and a shield," 448 F.3d at 1301, the Court will not grant Travel Caddy "unfettered discretion to rummage through all of [Union Rich's] files and pillage all of [Union Rich's] litigation strategies." **[*11]** Echostar, 448 F.3d at 1303. In other words, litigation strategy is not the same as advice-of-counsel, and the waiver that has been clarified in Echostar should not be used to allow unfettered access to documents related to strategy from all attorneys who have been involved in an infringement case.

The Federal Circuit imposed important limits on the scope of the waiver as follows, "[w]hile an accused infringer may waive the immunity for work product that embodies an opinion in letters and memorandum communicated to the client, he does not waive the attorney's own analysis and debate over what advice will be given." Id. Furthermore, while the district court in Echostar, reached the same conclusion that privilege is waived for communications made after the start of a lawsuit, it also found that the alleged infringer was entitled to redact information "that it considers solely re-

lated to trial strategy." Tivo Inc. v. Echostar Comm. Corp., No. CIVA 2:04CV1 (DF), 2005 WL 4131649, at *8 (Sept. 26, 2005). This conclusion is consistent with the Federal Circuit's holding that the scope of waiver of privilege does include post-filing communications, **[*12]** but prevents the unfettered access to litigation strategy that concerned the Court. Echostar, 448 F.3d at 1302-03; see also Tivo, 2005 WL 4131649, at *8 ("This, in the Court's opinion, reconciles the fear that such discovery could compromise trial preparation and give Plaintiff an unfair advantage with Plaintiff's inquiry into state of mind.").

Finally, Echostar makes clear, and all parties agree, that Ms. Decker is permitted to redact or withhold documents or information that were never communicated to Union Rich. Id. at 1303. This right to redact is especially important in the context of documents "that reference and/or describe a communication between the attorney and client, but were not themselves actually communicated to the client." Id. at 1304.

Therefore, it is ordered that, with respect to Ms. Decker's subpoena, she be required to produce:

> All documents that reflect communications (including all electronic communications) between Ms. Decker and Union Rich that relate to the scope, validity, infringement, and/or enforceability of the '992 and '104 patents, including any and all attorney notes, summaries, documents **[*13]** and drafts of documents related to the same subject matters and that embody or discuss a communication between Ms. Decker and Union Rich. Any such document that includes Ms. Decker's opinions or mental impressions never communicated to Union Rich may be redacted to exclude those uncommunicated portions. Ms. Decker may redact any information that she considers solely related to trial strategy. Furthermore, consistent with the Echostar holding, the overall

scope of Union Rich's waiver in relying on the advice-of-counsel defense includes:

> Any document or opinion that embodies or discusses a communication to or from Union Rich concerning whether the '992 and '104 patents are valid, enforceable, and infringed by Union Rich, regardless of the counsel involved, and regardless of the date. Any document or opinion that falls within the scope of the waiver, but which includes opinions or mental impressions never communicated to Union Rich, may be redacted to exclude those uncommunicated portions. Union Rich may redact any information that it considers solely related to trial strategy.

Accordingly, non-party Mandy Wilson Decker is directed to comply with Travel Caddy's **[*14]** subpoena for deposition and production of documents [# 185] as stated herein.

SO ORDERED, this 5 day of October, 2006.

ORINDA D. EVANS

UNITED STATES DISTRICT JUDGE

LEXSEE

STATIC CONTROL COMPONENTS, INC., PLAINTIFF/COUNTERCLAIM, DEFENDANT v. LEXMARK INTERNATIONAL, INC., DEFENDANT/COUNTERCLAIM, PLAINTIFF v. WAZANA BROTHERS INTERNATIONAL, INC., d/b/a MICRO SOLUTIONS ENTERPRISES, PENDL COMPANIES, INC., and NER DATA PRODUCTS, INC., COUNTERCLAIM, DEFENDANTS

CIVIL ACTION NO. 04-84-GFVT

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF KENTUCKY, LEXINGTON DIVISION

2006 U.S. Dist. LEXIS 40612

June 15, 2006, Decided

PRIOR HISTORY: Static Control Components, Inc. v. Lexmark Int'l, Inc., 2006 U.S. Dist. LEXIS 22669 (E.D. Ky., Apr. 6, 2006)

CASE SUMMARY:

PROCEDURAL POSTURE: In a case concerning a dispute over print cartridges, plaintiff corporation moved for clarification and/or reconsideration of the a magistrate judge's memorandum opinion and order, which granted defendant corporation's motion to compel discovery from plaintiff.

OVERVIEW: In its prior order, the court directed plaintiff to produce documents and communications relating to plaintiff's efforts to defeat defendant's prebate program. As grounds for its motion to clarify and/or reconsider, plaintiff claimed that the order should be clarified and/or reconsidered only to the extent that it commanded the production of information that was subject to the attorney-client privilege. Plaintiff claimed that it did not waive the privilege when it disseminated a letter it had received from a law professor because that letter was not a privileged communication. The court granted the motion to clarify and/or reconsider; however, in affirming its prior order, the court found that the letter expressed the law professors opinions concerning the enforceability, validity, and general legality of the prebate program. The letter resulted from a request by plaintiff's general counsel to the professor. Plaintiff waived its attorney-client and work product privileges relating to the subject matter of the letter when it disseminated the letter to its customers and placed the professor's legal opinion at issue in a declaratory judgment action.

OUTCOME: The court granted the motion for clarification and/or reconsideration. Upon reconsideration, the court reaffirmed its prior order and directed plaintiff to produce the documents and materials in question.

CORE TERMS: prebate, cartridge, waived, work product, customers, reuse, log, selective, privileged communication, abandoned, declaratory judgment action, legal opinion, legality, reconsideration, discovery, barrier, clarify, thrown, subject matter, disseminated, patent, documents relating, contract law, unenforceable, reconsider, numerical, end-users, defeat, waive, work product privilege

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN1] A client cannot be permitted to pick and choose among his opponents, waiving the attorney-client privilege for some and resurrecting the claim of confidentiality as to others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege
Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN2] The U.S. Court of Appeals for the Sixth Circuit has rejected the concept of selective waiver of the attorney-client privilege. Just as the attorney-client privilege itself provides certainty to litigants that information relayed to one's attorney will not be disclosed, rejection of selective waiver provides further certainty that waiver of the privilege ensures that the information will be disclosed.

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JUDGES: JAMES B. TODD, UNITED STATES MAGISTRATE JUDGE.

OPINION BY: JAMES B. TODD

OPINION:

AMENDED MEMORANDUM OPINION AND ORDER

This matter is before the court on plaintiff's motion for clarification and/or reconsideration of the Memorandum Opinion and Order entered on March 31, 2006, which granted Lexmark's motion to compel discovery from plaintiff SCC. [DE # 275]. This motion has been fully briefed and is ripe for review.

SCC's motion to clarify and/or reconsider the Memorandum Opinion and Order of March 31, 2006, concerns numerical paragraph 1.b. on page 12 thereof, which states:

> b. SCC is directed to produce those documents and communications relating to SCC's efforts to defeat Lexmark's Prebate program.

Memorandum Opinion and Order, p. 12 - DE # 266.

As grounds for its motion to clarify and/or reconsider the foregoing numerical paragraph 1 .b., SCC contends that said paragraph should be clarified and/or reconsidered "only to the extent it commands the production of privileged information." Memorandum in Support of Motion [*11] Clarification and/or Reconsideration of Memorandum Opinion and Order Dated March 31, 2006, p. 1 - DE # 275. Specifically, SCC argues that it should not be required to produce certain documents protected by the attorney/client privilege to Lexmark because (1) it has not waived the attorney/client privilege as to those particular documents, and (2) the Magistrate Judge erroneously concluded in the Memorandum Opinion and Order of March 31, 2006, that SCC had waived the attorney/client privilege as to all documents concerning Lexmark's Prebate program. Thus, SCC requests the Magistrate Judge to clarity that it is not required to produce from the universe of documents relating to SCC's efforts to defeat Lexmark's Prebate program, any information that is protected by the attorney/client privilege.

Lexmark objects to SCC's motion to clarify and/or reconsider, asserting that due to the fact that SCC disclosed privileged communications to a third parties and placed its counsel's advice at issue, SCC has waived all attorney/client privilege and work product protections with respect to the subject matter of that advice, as seen in *In re Powerhouse Licensing*, 441 F.3d 467 (6th Cir. 2006); [*12] *In re Columbia/HCA Healthcare Corp. Billing Practices Litig.*, 293 F.3d 289 (6th Cir. 2002); *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340 (Fed. Cir. 2005). Elaborating, Lexmark points out that in 1998 SCC (1) widely disseminated to its customers a legal opinion that its General Counsel, Mr. London, obtained from an outside attorney, Mr. Walker Blakey, concerning the enforceability, validity, and general legality of Lexmark's Prebate program (*See* DE # 223, Exhibit D); and (2) made Mr. Blakey's legal opinion the focal point of SCC's declaratory judgment action filed against Lexmark in response to Lexmark's patent infringement claims (DE # 223, Exhibit I).

Additionally, Lexmark also argues that SCC waived its attorney/client and work product privileges by failing to assert those privileges in a privilege log that identifies the withheld documents. *See* Advisory Committee Notes to 1993 Amendments to Fed.R.Civ.P. 26(b)(5); *Peat, Marwick, Mitchell & Co. v. West*, 748 F.2d 540, 542 (10th Cir. 1984). Explaining this argument, Lexmark points out that SCC claimed that several documents relating [*13] to SCC's Anti-Prebate effort and/or Lexmark's Prebate program were protected by the attorney/client and work product privileges, but that SCC failed to *timely* identify those documents on its privilege log, as seen by the fact that subsequent to the March 31,

2006 Memorandum Opinion and Order in question, SCC produced an amended privilege log that belatedly identified 105 additional documents, nearly all of which are dated prior to 2002 and all of which are responsive to discovery requests that Lexmark served several years ago.

Furthermore, Lexmark submits that to the extent SCC's aforementioned conduct did not waive all attorney/client and work product privileges SCC may have had for documents relating to Lexmark's Prebate program, the remainder of any such privileges was waived when its General Counsel, Mr. London, testified during his deposition regarding SCC's legal opinions and the analysis underlying those opinions pertaining to Lexmark's Prebate program, as Mr. London openly revealed (1) the factual and legal basis for his opinions that Lexmark's Prebate agreement was invalid, unenforceable, and void, and (2) the legal conclusions reached by SCC's outside counsel regarding [*14] Lexmark's Prebate program. (*See* Lexmark's Opposition to SCC's Motion for Reconsideration and/or Clarification of Opinion and Order Dated March 31, 2006, Exhibit D (London Deposition, pp. 37-54).

Finally, Lexmark argues that the scope of the attorney/client and work product privilege waiver is not limited in time or to specific counsel and that the scope of this waiver extends to pre-suit and post-suit communications and to communications on the same subject matter between SCC and all other counsel, including trial counsel. *Akeva LLC v. Mizuno Corp.*, 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003); *McCormick-Morgan, Inc. v. Teledyne Industries, Inc.*, 765 F.Supp. 611,613-14 (N.D. Cal. 1991).

In reply, SCC counters that it did not waive the attorney/client and work product privileges in respect to Lexmark's Prebate program by disclosing the Blakey Letter since the Blakey Letter was not a privileged communication, which is why SCC has never asserted a privilege to the Blakey Letter. SCC also argues that assuming *arguendo* that the Blakey Letter is a privileged communication, the broad waiver proposed by Lexmark is inappropriate and that any waiver of [*15] the attorney/client and work product privileges must be narrowly construed. SCC also argues that Mr. London's testimony did not waive the attorney/client or work product privilege. Further, SCC asserts that Lexmark's argument concerning SCC's Privilege Log ignores the obligation the parties have under the Federal Rules of Civil Procedure to supplement discovery responses.

Analysis

A. Dissemination of the Blakey Letter

In 1998, SCC widely disseminated to its customers a copy of a five-page letter dated September 8, 1998, from Mr. Walter Blakey, a contracts law professor at the University of North Carolina, addressed to William L. London, SCC's General Counsel, which expressed Mr. Blakey's opinions concerning the enforceability, validity, and general legality of Lexmark's Prebate program. This letter (hereafter "Blakey Letter") was written to Mr. London in response to his request to Mr. Blakey for an opinion on Lexmark's Prebate Program. The Blakey Letter (Bates-numbered document SCC-LEX 0668330 - 0668334), is captioned "Re: Abandoned "prebate" cartridges" and states in pertinent part, as follows:

> At your request I have reviewed the testimony of William Duffy, [*16] Vice President of Lexmark International, Inc., on April 22, 1998, at a Committee Hearing of the New York State Assembly on Toner Cartridge Remanufacturing, examined copies of the box, labels, and package inserts used by Lexmark with its "prebate" cartridges, and researched the property and contract law applicable to the reuse of abandoned cartridges. All this has led me to the following conclusion. In my opinion, the Lexmark "prebate" Program does not create any legal barrier to the purchase and reuse by others of "prebate" cartridges which have been thrown away by the end-users.
>
> This opinion does not deal with the application of either patent law or antitrust law to the Lexmark "prebate" program, but I see nothing in either area of law that would raise any questions about my conclusion. Indeed, there are doctrines in both areas of law that might well prevent the successful adoption by any manufacturer of a strong program to prevent the reuse of abandoned used cartridges. (See, e.g., *Morton Salt Co. v. G. S. Suppiger Co.*, 315 U.S. 488, 62 S. Ct. 402, 86 L. Ed. 363, 1942 Dec. Comm'r Pat. 733 (1942). However, this opinion deals only with American property and contract law.

Blakey [*17] Letter, p. 1 (SCC-LEX 0668330).

A complete copy of the five-page Blakey Letter was attached to a letter dated September 11, 1998, that SCC's General Counsel, William L. London, sent to SCC's customers (hereafter "London Letter"), which discussed the Blakey Letter and stated in relevant part, as follows:

> The most important part of his letter is the conclusion. "In any event, the present Lexmark Prebate Program does not create any legal barrier to the purchase and reuse by others of prebate cartridges that have been discarded by end-users." In other words, prebate cartridges which have been thrown away by the original purchaser may be remanufactured. This means, whatever the antitrust or patent implications of the Prebate Program may be, you can recover abandoned prebate cartridges and remanufacture them.

London Letter (SCC-LEX 0668328).

The Magistrate Judge remains unpersuaded by SCC's argument that the Blakey Letter was not a privileged communication and that therefore, there was no waiver of the attorney/client privilege by the subsequent disclosure of the Blakey Letter to SCC's customers. Since the Blakey Letter resulted from a request by SCC's General Counsel [*18] to Blakey requesting his opinion as to the general legality of Lexmark's Prebate Program, the Magistrate Judge concludes that at the time it was rendered to Mr. London, SCC's General Counsel, it was a privileged communication to SCC. Based on the opinion contained in the Blakey Letter, SCC decided to disseminate the Blakey Letter to its customers, since Mr. Blakey expressed an opinion that Lexmark's Prebate program was legally unenforceable.

However, SCC's public disclosure of the Blakey Letter did not end there. Shortly after disseminating the Blakey Letter to its customers, SCC filed a declaratory judgment action against Lexmark alleging that SCC did not infringe Lexmark's patents because Lexmark's Prebate program was invalid and unenforceable. The Blakey Letter was the focal point of SCC's declaratory judgment action:

> The claim for declaratory judgment arises from a real controversy between Static Control and Lexmark over whether Static Control's dissemination of an opinion letter authored by a University of North Carolina law professor constitutes inducement of infringement or contributory infringement of Lexmark's purported patent rights.

See Docket Entry [*19] # 223, Exhibit I, P 3.

> At Static Control's request, Professor Blakey reviewed the Lexmark Prebate scheme and researched relevant legal considerations. Professor Blakey concluded that the Lexmark Prebate scheme does not create any legal barrier to the purchase and reuse by others of Prebate cartridges which have been thrown away by the end users.

Id. at P 15.

SCC insists that the Blakey Letter was not privileged because "Mr. Blakey was not engaged to provide legal advice." However, this argument is belied by the plain language contained in the Blakey Letter. To reiterate, Mr. Blakey stated in the Blakey Letter:

> At your request I have reviewed . . . , examined . . ., and researched the property and contract law applicable to the reuse of abandoned cartridges. All this has led me to the following conclusion. In my opinion, the Lexmark "prebate" Program does not create any legal barrier to the purchase and reuse by others of "prebate" cartridges which have been thrown away by the end-users.

Blakey Letter, p. 1 (SCC-LEX 0668330).

> Additionally, Mr. London, in his subsequent letter to SCC's customers, states:
>
> I have asked Professor Walker [*20] Blakey . . . to review the Prebate Program and render his opinion . . . Enclosed is a copy of his letter to me.

London Letter (SCC-LEX 0668328).

Consequently, based on the fact that SCC requested a legal opinion from Mr. Blakey concerning the legality of Lexmark's Prebate program, it is clear to the Magistrate Judge that Mr. Blakey's opinion contained in the Blakey Letter was a privileged communication to SCC, irrespective of the fact that SCC is now trying to label the Blakey Letter as a non-privileged communication. A rose by any other name smells the same. SCC waived its attorney/client and work product privileges relating to the subject matter of the Blakey Letter when it (1) disseminated the Blakey Letter to its customers, and (2)

placed the legal opinion of Mr. Blakey contained in the Blakey Letter at issue in the declaratory judgment action SCC filed in 1998 in response to Lexmark's claims of patent infringement.

In this particular instance, SCC is attempting to use the attorney/client privilege as both a shield and a sword by disclosing to Lexmark the documents that are favorable to its position and by withholding other documents, under the protection afforded [*21] by the attorney/client privilege, that are unfavorable to its position. [HN1] "The client cannot be permitted to pick and choose among his opponents, waiving the privilege for some and resurrecting the claim of confidentiality as to others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit." *Permian Corp. v. United States*, 214 U.S. App. D.C. 396, 665 F.2d 1214, 1221 (D.C. Cir. 1981).

The Magistrate Judge is also unpersuaded by SCC's argument that it should not be deemed to have waived the attorney/client privilege for all documents concerning Lexmark's Prebate program simply because it disclosed some documents that were protected by the attorney/client privilege. As seen in *In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, supra,* the Sixth Circuit rejected a similar selective waiver argument. "However, after due consideration, [HN2] we reject the concept of selective waiver, in any of its various forms." *Columbia/HCA Healthcare*, 293 F.3d at 302. Elaborating on the rationale underlying the Sixth Circuit's rejection of "selective waiver," the Sixth Circuit in *Columbia/HCA Healthcare* [*22] stated:

> . . . Just as the attorney-client privilege itself provides certainty to litigants that information relayed to one's attorney will not be disclosed, rejection of selective waiver provides further certainty that waiver of the privilege ensures that the information will be disclosed.

Id. at 304.

For all of the foregoing reasons, SCC's selective waiver argument does not carry the day. The Magistrate Judge again concludes that SCC has waived the attorney/client and work product privileges for all documents pertaining to Lexmark's Prebate program.

B. Privilege log

SCC further argues that the fact that it recently provided Lexmark with an amended or supplemented privilege log should not be deemed to have waived the attorney/client and/or work product privileges, since it was merely complying with the Federal Rules of Civil Procedure and supplementing its discovery responses as it is required to do under the civil rules.

Having concluded again, for the reasons stated above, that SCC has waived the attorney/client and work privileges for all documents relative to Lexmark's Prebate program based on the disclosure of the Blakey Letter and [*23] the London Letter to its clients, the Magistrate Judge need not consider the merits of SCC's argument concerning the supplementation of its privilege log.

Accordingly, **IT IS HEREBY ORDERED** that:

1. Plaintiff SCC's motion for clarification and/or reconsideration of the Memorandum Opinion and Order entered on March 31, 2006 [DE # 275] is **GRANTED.**

2. Upon reconsideration of numerical paragraph 1.b. on page 12 of the Memorandum Opinion and Order of March 31, 2006, the Magistrate Judge reaffirms said paragraph and clarifies that SCC is directed to produce *all documents,* both privileged and non-privileged, relating to SCC's efforts to defeat Lexmark's Prebate program.

3. SCC is given twenty (20) days from the date of this Order in which to supplement its discovery responses in compliance with this Memorandum Opinion and Order.

This 15th day of June, 2006.

JAMES B. TODD
UNITED STATES MAGISTRATE JUDGE

LEXSEE

THE THERMOS COMPANY and NIPPON SANSO CORPORATION, Plaintiff, vs. STARBUCKS CORPORATION AND PACIFIC MARKET, INC., Defendant.

96 C 3833

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1998 U.S. Dist. LEXIS 17753

November 3, 1998, Decided
November 4, 1998, Docketed

DISPOSITION: [*1] Plaintiffs' motion (Doc 67-1) to compel granted in part and denied in part.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff patent holders filed a motion to compel discovery in a patent infringement action brought against defendant competitors.

OVERVIEW: The patent holders alleged that the competitors willfully infringed their patent. The subject matter of the patent was a method used to manufacture vacuumware products. The holders filed a motion to compel discovery, which the court granted in part and denied in part. The court found that by asserting the advice-of-counsel defense, the competitors waived their attorney-client privilege. The court found that the holders were entitled to privileged and non-privileged communications and work product for information involving the issues of patent infringement, validity of the patent, prior art, and comparative design. The holders were entitled to any of the competitors' documents that related to their counsel's opinion on the subject matter. The holders were only entitled to work product that was actually communicated to the competitors because the relevant issue was the competitors' state of mind. Moreover, the holders were entitled to any non-privileged documents or communications relating to the competitors' redesign efforts. Although documents produced in settlement negotiations could be found inadmissible at trial, they were nonetheless discoverable.

OUTCOME: The court granted in part and denied in part the patent holders' motion to compel discovery in a patent infringement action.

CORE TERMS: patent, work product, infringement, opinion letter, redesign, advice of counsel, communicated, attorney-client, interrogatory, subject matter, state of mind, plug, waived, patent infringement, non-privileged, comparative, infringe, authored, negotiations, settlement, willful, defense counsel, present matter, inadmissible, deliberate, privileged, probative, globally, waives, documents produced

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
Evidence > Privileges > Attorney-Client Privilege > Waiver
[HN1] The assertion of an advice of counsel defense results in a waiver of the attorney-client and work product protections. The waiver is limited, however, to communications and documents on the same subject matter relating to the legal advice relied upon.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
Evidence > Privileges > Attorney-Client Privilege > Waiver
Patent Law > Infringement Actions > General Overview
[HN2] Principles of fairness support the waiver of the attorney-client or work product privileges where a party relies upon the advice of counsel defense. Principles of fairness also prevent a party from disclosing opinions which support its position, and simultaneously concealing those opinions which are adverse. Consequently, a party must produce not only the opinion letters relied

upon, but also any other attorney communications involving the subject matter discussed in the opinion letter.

Evidence > Privileges > Attorney-Client Privilege > General Overview
[HN3] Counsel's mental impressions, conclusions, opinions or legal theories are not probative of a client's state of mind unless they have been communicated to that client.

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product
Civil Procedure > Discovery > Privileged Matters > Work Product > Scope
Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers
[HN4] A party asserting an advice of counsel defense waives the attorney-client and work product privileges for all attorney communications with the client on the same subject matter as the opinions relied upon for the defense. The scope of this waiver, however, is more limited with regard to the opinion work product of trial counsel. Courts look to underlying principle of fairness to determine the extent to which waiver applies to documents generated by trial counsel and disclosed to the client. In accordance with these fairness principles, the waiver as to trial counsel extends only to documents containing "potentially damaging information" or expressing grave reservations respecting the opinion letter.

Evidence > Privileges > Attorney-Client Privilege > General Overview
[HN5] Information relating to redesign efforts, in a patent infringement action, are not immune from discovery simply because an attorney was involved in the process.

Evidence > Procedural Considerations > Rulings on Evidence
[HN6] Although documents produced in settlement negotiations may be found inadmissible at trial, they are nonetheless discoverable.

COUNSEL: For THERMOS COMPANY, THE, NIPPON SANSO CORPORATION, plaintiffs: Michael Louis Brody, Patricia J. Thompson, Schiff, Hardin & Waite, Chicago, IL.

For THERMOS COMPANY, THE, plaintiff: Christopher B. Schneider, Kevin J. Byrne, Schiff, Hardin & Waite, Chicago, IL.

For STARBUCKS CORPORATION, defendant: Jon O. Nelson, Christopher James Renk, Janice V. Mitrius, Banner & Witcoff, Ltd., Chicago, IL.

For STARBUCKS CORPORATION, PACIFIC MARKET, INC., defendants: Robert Howard Resis, Timothy C. Meece, Banner & Witcoff, Ltd., Richard William Young, Gardner, Carton & Douglas, Chicago, IL.

For STARBUCKS CORPORATION, defendant: Stuart R. Dunwoody, Davis, Wright & Tremaine, Seattle, WA.

For PACIFIC MARKET, INC., defendant: Nicole M. Smith, Haligman and Lottner, P.c., Denver, CO.

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For STARBUCKS CORPORATION, counter-claimant: Christopher James Renk, Janice V. Mitrius, Banner & Witcoff, Ltd., Chicago, IL.

For [*2] STARBUCKS CORPORATION, counter-claimant: Stuart R. Dunwoody, Davis, Wright & Tremaine, Seattle, WA.

For PACIFIC MARKET, INC., counter-claimant: Nicole M. Smith, Haligman and Lottner, P.c., Denver, CO.

For THERMOS COMPANY, THE, NIPPON SANSO CORPORATION, counter-defendants: Michael Louis Brody, Schiff, Hardin & Waite, Chicago, IL.

For THERMOS COMPANY, THE, counter-defendant: Christopher B. Schneider, Kevin J. Byrne, Schiff, Hardin & Waite, Chicago, IL.

JUDGES: Charles P. Kocoras, United States District Judge.

OPINION BY: Charles P. Kocoras

OPINION:

MEMORANDUM OPINION AND ORDER

CHARLES P. KOCORAS, District Judge:

This matter is before the court on plaintiffs' motion to compel discovery. For the reasons set forth below, plaintiffs' motion is granted in part and denied in part.

BACKGROUND

Plaintiffs The Thermos Company and Nippon Sanso Corporation (collectively "Plaintiffs") assert defendants Starbucks Corporation ("Starbucks") and Pacific Market, Inc. ("PMI") (collectively "Defendants") willfully infringed Plaintiffs' '977 patent. The alleged infringement arises out of the so-called "plug method" utilized by PMI's supplier to manufacture travel tumblers and other [*3] vacuumware products. PMI distributes the allegedly infringing products to Starbucks, who, in turn, sells them.

In response to Plaintiffs' infringement claim, Defendants invoked an advice of counsel defense and produced two opinion letters of counsel to negate allegations of willful infringement. Through the present motion, Plaintiffs seek the production of all documents and information relating to any attorney-client communications or work product that addresses the '977 patent, including documents regarding possible patent infringement, prior art, the validity of Plaintiffs' '977 patent, and Defendants' redesign efforts.

DISCUSSION

A. The Advice of Counsel Defense

It is well established that [HN1] the assertion of an advice of counsel defense results in a waiver of the attorney-client and work product protections. Mushroom Assoc. v. Monterey Mushrooms, Inc., 1992 U.S. Dist. LEXIS 19664, 1992 WL 442892, at *3 (N.D.Cal. 1992), citing Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 929 (N.D.Cal. 1976) (stating "the deliberate injection of the advice of counsel defense into a case waives the attorney-client privilege as to communications and documents relating to the advice."). The waiver [*4] is limited, however, to communications and documents on the same subject matter relating to the legal advice relied upon. See Abbott Laboratories v. Baxter Travenol Laboratories, Inc., 676 F. Supp. 831, 832 (N.D.Ill. 1987); Nye v. Sage Products, Inc., 98 F.R.D. 452, 453 (N.D.Ill. 1982).

[HN2] Principles of fairness support the waiver of the attorney-client or work product privileges where a party relies upon the advice of counsel defense. Saint-Gobain/Norton Industrial Ceramics Corp. v. General Electric Co., 884 F. Supp. 31, 33 (D.Mass. 1995) (patent infringement case). Principles of fairness also prevent a party from "disclosing opinions which support its position, and simultaneously concealing those [opinions] which are adverse." Id.; See also Emhart Industries v. Sankyo Seiki MFG. Co., Ltd., 1986 U.S. Dist. LEXIS 17418, 1986 WL 13515, at *2 (N.D.Ill. 1986) (stating "basic fairness will not permit defendant to rely on two of said privileged documents and withhold the balance with reference to its defensive position that its infringement was not willful and deliberate."). Consequently, a party must produce not only the opinion letters relied upon, but also any other attorney communications involving [*5] the subject matter discussed in the opinion letter. Technitrol, Inc. v. Digital Equipment Corp., 1974 U.S. Dist. LEXIS 12129, 181 U.S.P.Q. 731, 732 (N.D.Ill. 1974) (finding that "if the [waiver] rule were limited to only a particular counsel, a party might get several viewpoints and assert reliance on only one, thus barring an inquiry as to the actuality and reasonableness of that reliance.").

In the present matter, we are asked to define the scope of Defendants' waiver. Relying upon Defendants' answers to interrogatories and Defendants' production of two opinion letters, Plaintiffs contend Defendants globally waived the attorney-client and work product privileges with respect to any issue of '977 patent (1) infringement, (2) prior art, (3) validity and (4) redesign efforts. Defendants, however, assert the scope of their wavier is limited to: (1) only communications or information regarding the alleged infringement of Plaintiffs' '977 patent; (2) communications or work product of attorneys other than their current trial counsel; and (3) opinions and information actually communicated to the Defendants. Defendants also assert that certain documents are inadmissible under Federal [*6] Rule of Evidence 408 because Defendants produced the documents in the course of settlement negotiations. We examine each issue in turn.

B. Subject Matter of Defendants' Waiver

1. Answers to Interrogatories

In their first set of interrogatories, Plaintiffs inquired as to whether Defendants ever received an opinion from counsel concerning infringement of Plaintiffs' '977 patent. If Defendants answered the interrogatory in the affirmative, Plaintiffs requested a list of the dates of such opinions and the names of the attorneys rendering the opinions. Defendants agreed to produce "any opinion of counsel regarding the validity or infringement" of the '977 patent. Through this interrogatory answer, Plaintiffs argue, Defendants globally waived the attorney-client privilege with respect to both the validity and infringement issues.

Plaintiffs, however, mischaracterize the scope of Defendants' interrogatory response. The relevant interrogatory required Defendants to list information about the precise opinion letters responsive to Plaintiffs' request. Contrary to Plaintiffs' assertions here, Defendants did not agree to produce all opinions relating to validity or infringement; [*7] rather, they identified only a November 10, 1995 opinion letter authored by Michael Folise as responsive to Plaintiffs' interrogatory. The scope of De-

fendants' waiver, therefore, is limited to that opinion letter and any communications or documents related to the subject matter contained therein. Because the parties failed to supply the court with a copy of the November 10 letter, we are unable to determine what issues were discussed therein, and, therefore, the precise extent of Defendants' waiver.

2. The Folise and Sakoi Opinion Letters

To support their advice of counsel defense, Defendants produced two letters reflecting the opinions of counsel and stated they would rely upon the two opinion letters to negate Plaintiffs' allegations of willful infringement. The first document, dated November 27, 1996, is a letter to PMI from Michael J. Folise, Defendants' original patent counsel ("the Folise opinion letter"). The Folise opinion letter includes Folise's belief that "based on [counsel's] understanding of the prior art," Defendants' proposed plug method would not infringe Plaintiffs' '977 patent. The Folise opinion letter expressly states that it does not include an analysis [*8] of the validity of the patent, nor does the letter address the issue of Defendants' redesign efforts.

The second correspondence relied upon by Defendants is a May 22, 1997 letter to PMI from attorney Jeffrey M. Sakoi ("the Sakoi opinion letter"). The Sakoi opinion letter indicates PMI sought Sakoi's opinion on possible infringement. Sakoi concluded "In our opinion, the process for manufacturing vacuum insulated containers detailed below does not infringe any claim of the '977 patent." The Sakoi opinion letter contains an extensive discussion of prior art and states Sakoi's opinion is based upon, inter alia, "the prior art cited and relied upon in the prosecution history [of the '977 patent]." Sakoi also compares the specific insulation methods utilized by Plaintiffs' '977 patent and Defendants' proposed plug method and opines on how a court might interpret the '977 patent. The Sakoi opinion letter concludes with a recognition of Defendants' attempts to design around Plaintiffs' '977 patent. We note the Defendants also produced to Plaintiffs a legal memorandum, authored by an attorney employed by Sakoi's law firm and sent to Sakoi, that expressly analyzes the validity of Plaintiffs' [*9] '977 patent. This memorandum predates the Sakoi opinion letter by approximately four weeks.

Contrary to Defendants' position, we think the Folise and Sakoi opinion letters addressed topics beyond simply whether Defendants' proposed plug method might infringe on Plaintiffs' '977 patent. The opinion letters (and the accompanying legal memorandum to Sakoi) also examine the (1) validity of the '977 patent, (2) prior art and (3) the comparative design of the two methods. These are the types of subject matters to which waiver attaches when a party relies upon the advice of counsel defense. For this reason, we think Plaintiffs are entitled to attorney-client communications and work product for the following subject matters: (1) patent infringement; (2) validity of the '977 patent; (3) prior art; and (4) comparative design, subject to the limitations discussed below. Plaintiffs are likewise entitled, subject to the limitations discussed below, to all documents within Defendants' possession that refer or relate to counsel's opinion on any of the above-listed subject matters and all documents Defendants submitted to counsel which contain information regarding any of the above-listed subject [*10] matters.

As to the topic of Defendants' redesign efforts, it is apparent that Sakoi recognized Defendants developed the plug method in an effort to redesign Plaintiffs' '977 patent. It is unclear, however, whether any of Sakoi's opinions were based upon redesign efforts by Defendants. To the extent Defendants produced non-privileged, redesign documents to Sakoi, Plaintiff is entitled to production of those documents as well.

C. Work Product Communicated to Client

Plaintiffs also seek production of all work product defense counsel relied upon to reach their opinions, regardless of whether counsel communicated the work product to Defendants. Federal courts are split on the issue of whether non-communicated work product must be produced in these circumstances. See Dunhall Pharmaceuticals v. Discus Dental, 994 F. Supp. 1202, 1204-06 (C.D. Cal. 1998). Plaintiffs rely upon cases that require a defendant asserting the advice of counsel defense to produce all documents relied upon or considered by counsel in conjunction with rendering his opinion, regardless of whether the underlying work product was communicated to the client. See, e.g., Clintec Nutrition Co. v. Baxa Corp., [*11] 1996 WL 153881, at *1 (N.D. Ill. 1996) (citations omitted); Mushroom Assoc., 1992 WL 442892, at *5. Plaintiffs argue such broad production is necessary because they must be empowered to attack the defendants' advice of counsel defense by having access to circumstances and factors surrounding the advice. Mushroom Assoc., 1992 WL 442892, at *5.

Defendants argue that because the relevant issue is their state of mind during the period of the alleged infringement, work product not "communicated" to the client remains privileged. As noted above, support can be found for Defendants' argument as well. See, e.g., Micron Separations Inc. v. Pall Corp., 159 F.R.D. 361, 363 (D.Mass. 1995). [HN3] "Counsel's mental impressions, conclusions, opinions or legal theories are not probative of a [client's] state of mind unless they have been communicated to that client." Id., citing Thorn EMI North America, Inc. v. Micron Technology, Inc., 837 F. Supp. 616, 622 (D.Del. 1993).

We find the Micron Separations and Thorn EMI rationale most persuasive. Because Defendants' state of mind is the relevant issue, we think Plaintiffs are entitled only to work product communicated to Defendants. [*12] The rationale behind our finding is best illustrated through a hypothetical. Consider a company hires counsel to issue an opinion on possible patent infringement. During her research, the retained counsel discovers information not fully supportive of the company's position but never communicates the information to her client. Instead, counsel continues researching the relevant issues and ultimately delivers a thorough opinion letter in which she concludes that her client's proposed activity would not infringe on an existing patent. Based upon counsel's opinion, the company manufactures its product, is subsequently sued for willful violation of an existing patent and raises the advice of counsel defense. In this scenario, we think work product not communicated to the company is irrelevant to the company's state of mind.

We think the same rationale applies to the present matter. Any documents defense counsel relied upon but did not communicate to Defendants are not probative of Defendants' state of mind. For this reason, on the subjects of patent validity, prior art, infringement and comparative design, Defendants need only produce work product communicated to them.

D. Opinions [*13] of Trial Counsel

We also must address whether Defendants' waiver extends to communications with, or work product of their present trial counsel. Defendants contend the scope of their waiver is limited to the Folise and Sakoi opinion letters and, therefore, Plaintiffs are not entitled to opinions rendered and/or documents produced by their present counsel because such opinions or documents "were generated after the produced [opinion] letters." Plaintiffs assert that because Defendants waived the attorney-client and work product privileges as to certain subject matters, the waiver does not cease as of the date an opinion letter is authored.

As indicated above, [HN4] a party asserting an advice of counsel defense waives the attorney-client and work product privileges for all attorney communications with the client on the same subject matter as the opinions relied upon for the defense. Micron Separations, 159 F.R.D. at 363. The scope of this waiver, however, is more limited with regard to the opinion work product of trial counsel. Micron Separations, 159 F.R.D. at 365; Clintec Nutrition Co., 1996 WL 153881, at *1. Courts look to underlying principle of fairness to determine [*14] the extent to which waiver applies to documents generated by trial counsel and disclosed to the client. Micron Separations, 159 F.R.D. at 365, citing Abbot Laboratories, 676 F. Supp. at 832. In accordance with these fairness principles, the waiver as to trial counsel extends only to documents containing "potentially damaging information" or expressing "grave reservations respecting the opinion letter." Micron Separations, 159 F.R.D. at 365; see also Clintec Nutrition Co., 1996 WL 153881, at *1.

We therefore order Defendants to produce only those documents authored by their present trial counsel which (1) counsel communicated to Defendants and (2) contain conclusions that contradict or cast doubt on either the Folise or Sakoio opinions.

E. FRE 408

Finally, Plaintiffs seek production of non-privileged documents and communications regarding Defendants' redesign efforts. [HN5] Information relating to redesign efforts are not immune from discovery simply because an attorney was involved in the process. Upjohn Co. v. Mova Pharmaceutical Corp., 936 F. Supp. 55, 57 (D. Puerto Rico 1996) (stating that, even if the defendant developed its formulations in concert with [*15] its attorneys, "to characterize such interchanges as protected attorney-client communications or work product would pull both doctrines from their respective roots.").

Defendants object to the production of redesign documents under Federal Rule of Evidence 408. Defendants contend these documents are nondiscoverable because they produced them to Plaintiffs during settlement negotiations in this matter. Defendants also assert the redesign documents are not relevant to their advice of counsel defense. Although Plaintiffs insist Defendants waived this argument, we address the merits of Defendants' assertion. Rule 408 addresses only the issue of admissibility. [HN6] Although documents produced in settlement negotiations may be found inadmissible at trial, they are nonetheless discoverable. Gen-Probe Inc. v. Amoco Corp., 1996 U.S. Dist. LEXIS 6663, 94 C5069, 1996 WL 264707, at *3 (N.D.Ill. 1996); Glaxo, Inc. v. Torphram, Inc., 1996 U.S. Dist. LEXIS 10139, 95 C4686, 1996 WL 411487, at *5 (N.D.Ill. 1996). For this reason, Plaintiff is entitled to the production of any non-privileged documents or communications relating to Defendants' redesign efforts.

To summarize our findings, Defendants shall produce:

> 1. any opinions of counsel, and [*16] any documents Defendants furnished to counsel, regarding the validity of the '977 patent, prior art, infringement and comparative design;

2. any attorney work product relating to the above subject matters, to the extent counsel communicated such work product to Defendants;

3. any opinions or work product of current trial counsel, but only to the extent counsel communicated the information to Defendants and the opinion or information contradicts or cast doubt on either the Folise or Sakoi opinion letters; and

4. any non-privileged documents and/or communications relating to Defendants' redesign efforts.

CONCLUSION

For the reasons set forth above, Plaintiffs' motion to compel is granted in part and denied in part.

Charles P. Kocoras

United States District Judge

Dated: November 3, 1998

CERTIFICATE OF SERVICE

I hereby certify under penalty of perjury that on October 16, 2006, I caused the attached OPPOSITION OF RESPONDENTS CONVOLVE, INC. AND MASSACHUSETTS INSTITUTE OF TECHNOLOGY TO THE PETITION OF SEAGATE TECHNOLOGY LLC FOR A WRIT OF MANDAMUS TO THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK to be served via electronic mail upon the following:

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I further certify that two (2) copies of the same have been shipped via Federal Express for next day delivery to the above-listed Attorneys.

Kevin J. McNamee