

**IN THE UNITED STATES DISTRICT COURT
OF THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

**eTOOL DEVELOPMENTS, INC.,
ET AL.**

V.

**NATIONAL SEMICONDUCTOR
CORPORATION**

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CIVIL ACTION NO. 2:08-CV-196-DF

ORDER

The following motion in the above-referenced cause of action was referred to the undersigned United States Magistrate Judge for purposes of hearing and determination: Defendant National Semiconductor’s Motion to Compel Production of Documents and Information Based on Waiver of the Attorney-Client Privilege and Work-Product Doctrine (Dkt. No. 200). The Court, having reviewed the motion and the response and reply, is of the opinion that the motion should be **GRANTED**.

I. BACKGROUND

Plaintiffs eTool Development, Inc. and eTool Patent Holding Corp. (collectively, “eTool”) filed this lawsuit on May 9, 2008, alleging that National Semiconductor Corp.’s (“National”) WEBENCH tools infringe U.S. Patent No. 7,113,919 (the “’919 patent”). On February 7, 2011, National filed its amended defenses and counterclaims, asserting inequitable conduct based on eTool’s failure to disclose material information about WEBENCH and other third-party configurator tools to the Patent and Trademark Office (“PTO”) during prosecution (Dkt. No. 115).

On October 18, 2011, National filed the present motion to compel. National argues that eTool selectively disclosed only certain privileged information it considered helpful to its position during the depositions of individuals involved in the prosecution of the ‘919 patent. Specifically,

Eric Norris, one of the named inventors on the '919 patent, testified that he relied on advice of counsel with respect to disclosures and non-disclosures to the PTO. Eric Norris also testified that he acted in good faith before the PTO and that he made every effort to comply with his duty of candor. Furthermore, Walter DeSouza, another named inventor on the '919 patent, testified that he understood that it was his duty to disclose "anything that could harm the patent" and that he did so by disclosing the material to prosecution counsel. Finally, Norman Norris, one of the prosecutors of the '919 patent, testified that he acted in good faith before the PTO and emphasized his commitment to complying with his duty of candor.

However, after disclosing these selected pieces of privileged information, eTool asserted the attorney-client privilege on numerous occasions, precluding testimony on various other issues related to the disclosure of potential references during the prosecution of the '919 patent. For instance, eTool instructed Eric Norris not to answer questions regarding whether he provided patent counsel with documents, including prior art references. National, therefore, argues that eTool has waived privilege as to all communications and documents concerning eTool's prosecution of the '919 patent by impermissibly using privilege "as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice." *In re EchoStar Commc'n Corp.*, 448 F.3d 1294, 1303 (Fed. Cir. 2006). Accordingly, National argues that it should be permitted to seek information and documents related to eTool's failure to disclose references to the PTO, including: (1) any consideration by the named inventors or prosecuting attorneys regarding whether or not to disclose references to the PTO; (2) the perceived functionality of tools disclosed in references; (3) the materiality of references; (4) whether the named inventors intended to withhold references from the PTO; (5) whether the references could qualify as prior art; and (6) why eTool disclosed certain

references during the prosecution of applications that are continuations to the '919 patent, but not during the prosecution of the '919 patent.

Although eTool concedes that its use of the attorney-client privilege in the context discussed above constitutes an implied waiver of privilege, eTool disputes the scope of that waiver. eTool first argues that the Federal Circuit's decision in *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011), requires the Court to narrowly tailor the scope of eTool's waiver to disclosure of references to the PTO that are "sufficient to substantiate or refute the patentee's good faith and advice of counsel defenses." Dkt. No. 207 at 3. eTool also argues that the waiver should be limited to communications with counsel concerning the disclosure of references during the prosecution of the '919 patent, as opposed to extending the waiver to such communications occurring during the prosecution of applications that are continuations to the '919 patent. Finally, eTool argues that the waiver should not be extended to communications with trial counsel.

II. LEGAL STANDARD AND ANALYSIS

The Federal Circuit applies the law of the circuit in which a district court sits with respect to "nonpatent issues" and applies the law of the Federal Circuit to "issues of substantive patent law." *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803 (Fed. Cir. 2000). In the context of a discovery dispute, the court stated that "'Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case,' at least if that issue clearly implicates substantive patent law." *In re Pioneer Hi-Bred Int'l, Inc.*, 238 F.3d 1370, 1374 n. 3 (Fed. Cir. 2001) (*quoting Spalding Sports*, 203 F.3d at 803). Inequitable conduct is certainly a matter of substantive patent law. *See Brigham and Women's Hosp. Inc. v. Teva Pharm. USA, Inc.*, 707 F. Supp. 2d 463, 469 (D. Del. 2010); *Martin Marietta Materials, Inc. v. Bedford Reinforced Plastics*,

Inc., 227 F.R.D. 382, 391 (W.D. Pa. 2005). And, in this Court's view, the issue of a waiver of the attorney-client privilege in presenting advice of counsel and good faith defenses to a claim of inequitable conduct is closely related to the substantive issue of inequitable conduct and, as such, also implicates substantive patent law. See *Brigham and Women's Hosp. Inc.*, 707 F. Supp. 2d at 469; *Martin Marietta Materials, Inc.*, 227 F.R.D. at 391. Accordingly, the Court will apply the law of the Federal Circuit.

Parties are entitled to "discovery regarding any nonprivileged matter that is relevant to any party's claim or defense." Fed. R. Civ. P. 26(b)(1). Information is relevant, even though perhaps inadmissible at trial, if discovery of it appears "reasonably calculated to lead to the discovery of admissible evidence." *Id.* "[T]o encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice," the law holds such communications to be privileged. *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981). The client may waive the attorney-client privilege, but when he does so, the waiver extends to "all other communications relating to the same subject matter." *In re Seagate Tech.*, 497 F.3d 1360, 1372 (Fed. Cir. 2007). "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, 1349-50 (Fed. Cir. 2005).

As discussed above, eTool concedes that the manner in which it has utilized the attorney-client privilege constitutes an implied waiver of both the work-product doctrine and the attorney-client privilege. eTool, however, argues that the waiver extends only to work-product and privileged communications related to the disclosure and/or non-disclosure of material information that is

“sufficient to substantiate or refute the patentee’s good faith and advice of counsel defenses.” According to eTool, the Federal Circuits’s decision in *Therasense* requires such a limited waiver. *Therasense*, 649 F.3d at 1276. But *Therasense* merely heightened the standard of proof required to succeed on a claim of inequitable conduct—it in no way supports eTool’s vague “sufficient to substantiate or refute” standard for determining the scope of an implied waiver. Dkt. No. 207 at 3. Furthermore, as discussed above, information is discoverable if it merely appears “reasonably calculated to lead to the discovery of admissible evidence.” Fed. R. Civ. P. 26(b)(1). As such, the Court rejects eTool’s argument that *Therasense* requires that the Court narrow the scope of the implied waiver to disclosure of references that are “sufficient to substantiate or refute the patentee’s good faith and advice of counsel defenses.”

The Court also rejects eTool’s argument that the waiver does not extend to communications with counsel occurring during the prosecution of the applications that are continuations of the ‘919 patent. Waiver extends to “all other communications relating to the same subject matter.” *In re Seagate Tech.*, 497 F.3d at 1372. Here, the disclosure presented in the continuation applications must be the same as that of the ‘919 patent—that is, the continuation applications may “not include anything which would constitute new matter if inserted in the original application.” Manual of Patent Examining Procedure (Eighth) § 201.07. As such, any material prior art that was disclosed to the PTO during the prosecution of the pending continuation applications would also be material prior art to the ‘919 patent. The Court, therefore, concludes that the implied waiver extends to work-product and privileged communications related to the disclosure and/or non-disclosure of material information to the PTO during the prosecution of the applications that are continuations of the ‘919 patent.

Finally, the Court agrees with National that this is one of the unique circumstances that warrants extending the implied waiver to litigation counsel. In *In re Seagate Tech.*, the Federal Circuit held, “as a general proposition, that asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel.” *In re Seagate Tech.*, 497 F.3d at 1374. But the Federal Circuit explained that it did “not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery.” *Id.* at 1374-75. In *Tyco Healthcare Group LP v. E-Z-EM, Inc.*, No. 2:07-CV-262, 2010 WL 2079920, at *3 (E.D. Tex. May 24, 2010) (J. Ward), the court considered whether the waiver of the attorney-client privilege “extends to communications with trial counsel where, as here, trial counsel and opinion counsel belong to the same law firm and opinion counsel is an active member of the trial team.” The court held that the accused infringer “cast doubt on the credibility of the opinion letter by asking the drafter of the opinion to become an active member of the trial team.” *Id.* As such, the court concluded that all communications of trial counsel with the client and opinion counsel related to the same subject matter covered in the opinion letter were subject to the waiver.

Here, Norman Norris (a former shareholder with Woodcock Washburn LLP) and Michael Swope (a current shareholder at Woodcock Washburn LLP) prosecuted the application that ultimately issued as the ‘919 patent. eTool does not deny that according to its privilege log, Steven Rocci, a member of its trial team at Woodcock Washburn LLP, communicated and consulted with the prosecuting attorneys during the prosecution of the ‘919 patent. Specifically, eTool does not deny that during the same period of time in which Mr. Norris was prosecuting the ‘919 patent and

conducting extensive research regarding disclosure of possibly material prior art, Mr. Rocci and Mr. Norris (among other Woodcock Washburn LLP lawyers) had a series of meetings and written communications regarding “patent litigation” and “damages.” The Court concludes that such communications between trial counsel and prosecution counsel, especially during the prosecution of the ‘919 patent, have the potential to cast doubt on the credibility of eTool’s advice of counsel and good faith defenses. As such, the Court concludes that the scope of the implied waiver extends to work-product and privileged communications between trial counsel at Woodcock Washburn LLP and prosecution counsel related to the disclosure and/or non-disclosure of material information to the PTO during the prosecution of the ‘919 patent and the applications that are continuations of the ‘919 patent.

III. CONCLUSION

In conclusion, eTool has waived its work-product immunity for all work-product,¹ and its attorney-client privilege for all communications, related to the disclosure and/or non-disclosure of material information to the PTO during the prosecution of the ‘919 patent and the prosecution of the applications that are continuations of the ‘919 patent. This includes communications and work-product regarding: (1) any consideration by the named inventors or prosecuting attorneys regarding whether or not to disclose references to the PTO; (2) the perceived functionality of tools disclosed in references; (3) the materiality of references; (4) whether the named inventors intended to withhold references from the PTO; (5) whether the references could qualify as prior art; and (6) why eTool disclosed certain references during the prosecution of applications that are continuations to the ‘919

¹ eTool does not dispute that it waived the work-product doctrine with regard to any work-product that falls within the scope of the waiver defined by this Court.

patent, but not during the prosecution of the '919 patent. Furthermore, the scope of the above-defined waiver extends to all communications between trial counsel at Woodcock Washburn LLP and prosecution counsel. Accordingly, it is

ORDERED that National's Motion to Compel (Dkt. No. 200) is **GRANTED**. It is further

ORDERED that eTool must produce all documents that fall within the scope of the waiver defined above within seven (7) days of the issuance of this order. This production shall be accompanied by a revised privilege log. It is further

ORDERED that the named inventors on the '919 patent and the prosecuting attorneys involved in the prosecution of the '919 patent and the continuation applications thereto respond to all questions that fall within the scope of the waiver outlined above. National is permitted to seek testimony on any topic falling within the scope of the waiver outline above.

SIGNED this 29th day of November, 2011.


CAROLINE M. CRAVEN
UNITED STATES MAGISTRATE JUDGE