

**UPDATE ON CULPABLE MENTAL STATES  
AND RELATED ETHICAL AND PRIVILEGE IMPLICATIONS  
IN FEDERAL CIVIL LITIGATION**

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David G. Barker and Scott C. Sandberg<sup>1</sup>

The culpable mental state required for liability under various federal civil causes of action may be crystallizing into uniformity. This new, apparently emerging regime, marked by several recent Supreme Court and Federal Circuit decisions,<sup>2</sup> tends to require the plaintiff to prove, objectively, that the defendant had a higher level of culpability than mere negligence.

In the trademark context, the Federal Circuit recently overruled precedent of the Trademark Trial and Appeal Board (“TTAB”), finding that intent to deceive the United States Patent and Trademark Office (“USPTO”) during trademark prosecution must be shown by proving specific intent — it is not enough simply to show that the trademark applicant “knew or should have known” that a false statement was made.<sup>3</sup> This course change may have been motivated by decisions such as that by the Supreme Court in *Safeco Insurance Co. of America v. Burr*. In *Safeco*, the Supreme Court held that at least recklessness must be proven to show a violation of the Fair Credit Reporting Act (“FCRA”) — more is required than simply showing that the defendant “knew or should have known” of a violation.<sup>4</sup>

Part I of this paper discusses two recent Supreme Court decisions regarding culpable mental states in (a) the False Claims Act (“FCA”) and (b) the FCRA. Part I also discusses the Federal Circuit decisions in the (c) trademark fraud and (d) willful patent infringement contexts. Finally, Part I discusses two causes of action where Federal Circuit precedent departs from the trend: (e) inducement of patent infringement and (f) patent inequitable conduct. If the Federal Circuit continues to follow the trend, changes may also be forthcoming in these two substantive areas.

Recognizing this trend in the law surrounding culpable mental states reveals some ethical and privilege-related considerations and implications. For example, should a client be required to waive the attorney-client privilege in order to prove lack of a culpable mental state? If so, what should be the extent of that waiver? What potential conflicts exists where an attorney conducts a pretrial investigation that may be relevant to a future fraud claim? Or, if a lawyer’s conduct may be relevant to a fraud claim, what is the significance of that lawyer’s representation if he may be called as a witness in future litigation? Part II of this paper discusses these considerations and implications in the context of (a) willful patent infringement and inducement of patent infringement, and (b) patent inequitable conduct and trademark fraud.

**I. The Trend Toward Culpable Mental State Uniformity**

As noted above, the trend in culpable mental state law appears to be toward requiring proof of subjective intent, or at least objective recklessness. The first two areas

of law reflect two of the Supreme Court’s recent decisions relating to culpable mental states. The second two areas of law show how the Federal Circuit may be following this trend established by the Supreme Court. And the last two areas of law show where further changes may be made to continue to follow the trend.

***(a) Willful Violation of the Fair Credit Reporting Act***

The Fair Credit Reporting Act<sup>5</sup> provides that “any person [who] takes any adverse action with respect to any consumer that is based in whole or in part on any information contained in a consumer report” must notify the affected consumer.<sup>6</sup> For negligent violations of the FCRA, the affected consumer may receive actual damages from the offending business.<sup>7</sup> If the violation is willful, however, consumers may receive actual or statutory damages ranging from \$100-\$1,000, or even punitive damages.<sup>8</sup>

The Supreme Court held in *Safeco* that a willful violation of the FCRA may be shown by proving the defendant recklessly disregarded or recklessly violated the FCRA.<sup>9</sup> “[W]here willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well.”<sup>10</sup>

For example, in *Safeco*, the Supreme Court stated that a violation of the FCRA could occur if a company offered a higher initial premium on an insurance policy based on a consumer’s credit score without notifying the consumer of this “adverse” action.<sup>11</sup> But the court found that Safeco did not recklessly violate the FCRA, so Safeco was not liable for a willful violation.<sup>12</sup>

In finding no reckless violation, the court stated that proof of recklessness involves an objective standard: “action entailing an unjustifiably high risk of harm that is either known or *so obvious* that it should be known.”<sup>13</sup> In other words, the company violating the FCRA “ran a risk of violating the law substantially greater than the risk associated with a reading that was merely careless.”<sup>14</sup> The court found that Safeco’s reading of the FCRA was erroneous, but not objectively unreasonable, so there was no willful violation.<sup>15</sup> Thus, the Supreme Court requires either a knowing violation of the FCRA, or objective proof of recklessness, in order to find liability under the FCRA.

***(b) Knowing Violation of the False Claims Act***

The False Claims Act provides significant statutory guidance regarding intent:

[A]ny person who —

(A) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval; [or]

(B) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false claim,

is liable to the United States Government for a civil penalty . . . plus 3 times the amount of damages which the Government sustains because of the act of that person.<sup>16</sup>

The FCA defines the standard of proof for “knowing” violations as follows:

[T]he terms “knowing” and “knowingly” —

(A) mean that a person, with respect to information . . . (i) has actual knowledge of the information; (ii) acts in deliberate ignorance of the truth or falsity of the information; or (iii) acts in reckless disregard of the truth or falsity of the information; and

(B) require no proof of specific intent to defraud.<sup>17</sup>

The foregoing version of the FCA was enacted into law on May 20, 2009, at least partially in response to the Supreme Court’s decision in *Allison Engine Co. v. United States ex rel. Sanders*.<sup>18</sup> Previously, the FCA imposed liability on any person who “knowingly makes . . . a false record or statement to *get a false or fraudulent claim paid* or approved by the Government.”<sup>19</sup> In *Allison Engine*, the Court held that a plaintiff must show the defendant possessed specific intent to “get the Government to pay [a] claim.”<sup>20</sup> If the defendant made a fraudulent statement but did not expect the Government to pay a claim, the FCA was not violated.<sup>21</sup> Now the “get the Government to pay” element is no longer in the FCA — the false statement must only be “material to a false claim.”<sup>22</sup>

In *United States ex rel. K & R Ltd. Partnership v. Massachusetts Housing Finance Agency*, the District of Columbia Circuit cited *Safeco* in discussing the “reckless disregard” aspect of intent under the FCA.<sup>23</sup> As noted above, *Safeco* set an objective standard for assessing reckless disregard: “action entailing an unjustifiably high risk of harm that is either known or so obvious that it should be known.”<sup>24</sup> Thus, “reckless disregard” will likely not be found if the defendant’s reading of the FCA is objectively reasonable.<sup>25</sup> Applying the “reckless disregard” standard to a company’s interpretation of the FCRA, the Supreme Court in *Safeco* explained that “a company subject to FCRA does not act in reckless disregard of it unless the action is not only a violation under a reasonable reading of the statute’s terms, but shows that the company ran a risk of violating the law substantially greater than the risk associated with a reading that was merely careless.”<sup>26</sup> *K & R* follows the trend continued in *Allison Engine* toward heightened objective proof required to show a culpable mental state.<sup>27</sup>

### ***(c) Fraud on the USPTO in Trademark Cases***

We turn now to a recent Federal Circuit decision that appears to be following the Supreme Court’s lead in culpable mental state law. In the trademark context, a trademark registration may be invalidated if the registrant commits fraud on the USPTO during prosecution of the trademark registration or during the lifetime of the registration.<sup>28</sup>

A party alleging fraud committed by a trademark applicant or registrant must show the applicant/registrant made a false statement of material fact with the intent to deceive the USPTO.<sup>29</sup> Fraud must be proven with clear and convincing evidence, and doubts are resolved against finding fraud.<sup>30</sup>

Until recently, the intent element of fraud in the trademark context could be satisfied with a lower standard of objective proof. Under TTAB precedent set forth in *Medinol Ltd. v. Neuro Vasx, Inc.*,<sup>31</sup> intent could be proven by showing the registrant “knew or should have known”<sup>32</sup> he was making a false statement of material fact.<sup>33</sup> Compared with *Safeco’s* “known or so obvious that it should have been known” standard, *Medinol’s* objective standard allowed conduct that was only negligent to result in a finding of fraud. In fact, after *Medinol*, this lower standard resulted in virtually every registration being cancelled that was challenged based on an incorrect identification of goods or services, regardless of if the registrant had an actual intent to deceive the USPTO.<sup>34</sup>

Now, specific, subjective intent must be shown in order to cancel a registration based on trademark fraud.<sup>35</sup> The Federal Circuit held in *In re Bose* that a trademark is obtained fraudulently “only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the [USPTO].”<sup>36</sup> Indeed, the Federal Circuit stated that the “deception must be willful to constitute fraud”<sup>37</sup> — simple or gross negligence is not sufficient to show an intent to deceive. The court continued, saying “*intent can be inferred* from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from *lesser evidence* cannot satisfy the deceptive intent requirement.”<sup>38</sup>

In *Bose*, Bose’s general counsel signed an affidavit before the USPTO stating that Bose’s WAVE trademark was still in use on “audio tape recorders and players” as of January 8, 2001.<sup>39</sup> In fact, Bose stopped manufacturing these items between 1996 and 1997, and Bose’s general counsel was aware of this fact. But Bose’s counsel believed the affidavit to be true because Bose continued to repair audio tape recorders and players as of the time he signed the affidavit.<sup>40</sup> The district court found Bose’s counsel’s conclusion to be unreasonable and that his actions constituted fraud, but the Federal Circuit disagreed, stating “[t]here is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.”<sup>41</sup> Although *Bose* did not address reckless disregard or deliberate indifference, leaving it an open question as to the extent these will apply in the trademark fraud context, *Bose* at least signifies that the Federal Circuit is moving toward the Supreme Court’s trend in requiring heightened proof of culpable mental states.

#### ***(d) Willful Patent Infringement***

The Federal Circuit’s precedent for proving the culpable mental state implicated in willful patent infringement falls in line with the Supreme Court’s trend. If a defendant deliberately infringes a patent or infringes a patent in bad faith, he may be held liable for willfully infringing the patent.<sup>42</sup> Plaintiffs are motivated to allege willful infringement because they may be awarded up to treble damages if they prove willfulness.<sup>43</sup>

The plaintiff must show by clear and convincing evidence that the defendant acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.<sup>44</sup> Although it has not always been the case,<sup>45</sup> a defendant does not have an “affirmative duty of care” to avoid patent infringement, and consequently, there is no “affirmative obligation to obtain opinion of counsel.”<sup>46</sup>

In *In re Seagate Technology*, the defendant accused of patent infringement had sought and received three written opinions from counsel.<sup>47</sup> Pursuant to a scheduling order from the trial court, Seagate notified the plaintiff of its intent to use testimony of its opinion counsel and made the opinion counsel available for a deposition. The plaintiff then sought production of “any communications and work product of Seagate’s . . . trial counsel.”<sup>48</sup> The trial court determined that the attorney-client privilege had been waived for both opinion and trial counsel and ordered Seagate to comply with the discovery requests.

Seagate petitioned for a writ of mandamus from the Federal Circuit, and the court held, “fairness counsels against disclosing trial counsel’s communications on an entire subject matter in response to an accused infringer’s reliance on opinion counsel’s opinion to refute a willfulness allegation.”<sup>49</sup> The court reasoned, “it is indisputable that the proper legal standard for willful infringement informs the relevance of evidence relating to . . . the proper scope of discovery,”<sup>50</sup> and used the opportunity to clarify willfulness and the scope of waiver of the attorney client privilege when opinion counsel testimony is used to rebut a claim of willful infringement.

A plaintiff in a claim for willful infringement must satisfy a threshold inquiry — that an objectively high likelihood of infringement existed.<sup>51</sup> This objective determination does not implicate the defendant’s state of mind.<sup>52</sup> If the plaintiff meets this threshold showing, the plaintiff must then show that the risk of infringement was either known to the defendant or *so obvious* that the defendant should have known of the risk.<sup>53</sup> Thus *Seagate’s* “known or so obvious” standard complies with the Supreme Court’s similar standard in *Safeco*.

### ***(e) Inducement of Patent Infringement***

“Whoever actively induces infringement of a patent shall be liable as an infringer.”<sup>54</sup> To prove active inducement, the plaintiff must first show that there has been direct infringement of a patent.<sup>55</sup> Second, the plaintiff must show that “the alleged infringer *knowingly* induced infringement.”<sup>56</sup> Third, the plaintiff must show that the defendant “possessed *specific intent* to encourage another’s infringement.”<sup>57</sup> The plaintiff bears the burden of proving all three of these elements.<sup>58</sup>

In *Broadcom Corp. v. Qualcomm, Inc.*,<sup>59</sup> the Federal Circuit reiterated both the knowledge and specific intent prongs of the induced infringement standard. With respect to knowledge, the Federal Circuit stated the defendant “must have *known or should have known* that its action would cause the direct infringement.”<sup>60</sup> Thus a plaintiff may show that the defendant simply “should have known” that its actions would cause the infringement.

Recently, in *SEB v. Montgomery Ward & Co.*, the Federal Circuit held that the knowledge prong may be satisfied if the plaintiff proves the defendant “deliberately disregarded a known risk [of a] protective patent.”<sup>61</sup> In *SEB*, the defendant copied SEB’s product but did not attempt to find out if SEB had a patent that covered the product.<sup>62</sup> Further, the defendant requested a right-to-use opinion from counsel, but did not notify its counsel that the defendant had copied SEB’s product. The intentional copying of SEB’s product and the failure to properly inform the opinion counsel of copying were sufficient to

support a finding of deliberate indifference.<sup>63</sup> So induced infringement may be shown even if the defendant does not have actual knowledge of the asserted patent.

Regarding the object of the specific intent to encourage infringement, the *Broadcom* court stated, “inducement requires evidence of culpable conduct, *directed to encouraging another’s infringement*, not merely that the inducer had knowledge of the direct infringer’s activities.”<sup>64</sup> But as noted above, this intent may be shown if the defendant “knew or should have known” that he was encouraging infringement. Thus, the induced infringement culpable mental state law stands where *Medinol* stood prior to *Bose*, and may be ripe for change based on the trend away from allowing proof simply through the lower “knew or should have known” standard.

#### ***(f) Inequitable Conduct in Patent Cases***

Federal Circuit law regarding the culpable mental state implicated in patent inequitable conduct appears to be furthest afield from the trend toward more stringent levels of objective proof. More substantial changes may be required in this context in order to continue the Federal Circuit’s trend toward uniformity.

A patent applicant and those involved in prosecution of the application (including patent attorneys, inventors, and persons involved substantively with the application)<sup>65</sup> have a duty of candor and good faith in dealing with the USPTO.<sup>66</sup> “No patent will be granted on an application in connection with which fraud on the [USPTO] was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct.”<sup>67</sup>

More than twenty years ago, the Federal Circuit noted that the “habit of charging inequitable conduct in almost every major patent case has become an absolute plague” in patent litigation.<sup>68</sup> Although some attempts have been made to ameliorate this overuse,<sup>69</sup> more recent Federal Circuit decisions may be exacerbating the problem.<sup>70</sup> And this exacerbation appears to be in part due to the Federal Circuit’s departure, in this context, from the trend toward uniformity in culpable mental state law.

A party asserting inequitable conduct (usually a defendant in a patent infringement suit attempting to invalidate a patent) must initially show a failure to disclose material information, or that materially false information was disclosed. Then it must be proven that the patentee had an intent to deceive the USPTO.<sup>71</sup>

Materiality of the undisclosed or fraudulently disclosed information is the threshold inquiry, and may in fact be the only inquiry. If materiality is sufficiently high, intent to deceive may be *inferred*.<sup>72</sup> Thus “intentional misconduct” may be irrelevant in determining inequitable conduct.<sup>73</sup> If intent happens to come into the analysis, intent may be shown if the patentee “knew or should have known” that the information was either material or materially false.<sup>74</sup> This balancing act essentially reads intent out of proof of inequitable conduct, in stark contrast to the Supreme Court’s decisions and the Federal Circuit’s *Bose* decision discussed above.<sup>75</sup>

In *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*,<sup>76</sup> a patent attorney was simultaneously prosecuting two related patent applications for the same client. Each patent application was being handled by a different USPTO patent examiner. In

application A, the patent examiner cited a prior art reference that the examiner in application B did not cite. The patent attorney amended claims in application A to overcome the prior art reference, but the attorney did not bring the prior art reference to the attention of the examiner in application B, and application B issued as a patent. Although the attorney let the examiner in application B know about the existence of application A, he did not inform the examiner of the actual rejections or the art cited by the examiner in application A.<sup>77</sup>

The patent attorney explained that he believed the prior art reference did not add anything to the prior art which was already of record in application B, so he did not disclose the reference.<sup>78</sup> The Federal Circuit concluded that the district court did not err in inferring, based in part on the materiality of the non-disclosed reference, that the patent attorney intended to deceive the USPTO.<sup>79</sup> This ability to completely disregard objective or subjective proof of intent based on materiality alone leaves some work to be done if uniformity is to be achieved in culpable mental state law. But the Federal Circuit's decisions in *Bose* and *Seagate* might indicate that the Federal Circuit may also revisit proof of the culpable mental state implicated in patent inequitable conduct, or the Supreme Court might do it on its own.

## **II. Ethical and Privilege Implications of the Trend**

This trend toward uniformity brings to light some ethics and privilege-related considerations and implications when culpable mental states are in issue. Specifically, privilege implications may arise from using an attorney's advice as evidence, and evidentiary implications may arise from not using the attorney's advice as evidence. Additionally, an attorney has ethical obligations with respect to information that is presented to a tribunal. For example, an attorney must have a good faith basis in fact and law for any advocated defense, and an attorney must not unlawfully conceal evidence with potential evidentiary value. Further, conflicts of interest may arise where an attorney's advice to a client becomes relevant in litigation, and an attorney may not represent a client if the attorney is likely to be a material witness. This section addresses these issues with respect to (a) willful patent infringement and inducement of patent infringement, and (b) patent inequitable conduct and trademark fraud.

### ***(a) Willful Patent Infringement and Inducement of Patent Infringement***

When a client approaches an attorney with a potential concern that the client's product may infringe an existing patent, the attorney may assess whether or not the patent is valid or whether or not the client's product actually infringes the patent.<sup>80</sup> The client may request an assessment from his counsel in the form of an "opinion letter" that provides the client a "non-infringement" or "invalidity" opinion. This opinion may become relevant in a subsequent claim that the client willfully infringed the patent or actively induced another to infringe the patent.

Not only is this opinion protected by the attorney-client privilege, but the attorney is ethically obligated not to disclose this opinion to a third party except under certain circumstances. Rule 2.3 of the Model Rules of Professional Conduct ("MRPC") provides:

(a) A lawyer may provide an evaluation of a matter affecting a client for the use of someone other than the client if the lawyer reasonably believes that making the evaluation is compatible with other aspects of the lawyer's relationship with the client.

(b) When the lawyer knows or reasonably should know that the evaluation is likely to affect the client's interests materially and adversely, the lawyer shall not provide the evaluation unless the client gives informed consent.

(c) Except as disclosure is authorized in connection with a report of an evaluation, information relating to the evaluation is otherwise protected by Rule 1.6.

The pre-litigation opinion of the attorney may “materially and adversely” affect the outcome of the claim of willful infringement or induced infringement, and thus the attorney would likely need the client's consent to disclose such an opinion. In fact, both non-disclosure and disclosure of the opinion may affect the outcome. For example, if the defendant does not disclose an attorney's opinion, the plaintiff may use this non-disclosure to attempt to argue that the defendant exercised reckless disregard or deliberate indifference.<sup>81</sup> However, the Federal Circuit has held that failure to offer opinion of counsel does not give rise to an adverse inference, at least in the willful infringement context.<sup>82</sup> Thus, it would seem to be advisable to not offer opinion of counsel unless it appears the plaintiff may be able to make a clear and convincing case of willfulness without evidence of the opinion.

In the inducement context, however, attorney advice may be implicated earlier than in the willfulness context. For example, the Federal Circuit held in *SEB* that “failure to inform one's counsel of copying would be highly suggestive of deliberate indifference in most circumstances.”<sup>83</sup> In *SEB*, the defendant hired counsel to conduct a right-to-use study, but did not tell him that the defendant based its product on *SEB*'s product.<sup>84</sup>

*SEB* and *Broadcom* present apparent tension<sup>85</sup> between the evidentiary implications of not disclosing opinion counsel testimony in the inducement context and in the willfulness context.<sup>86</sup> In *Broadcom*, the Federal Circuit held that “opinion-of-counsel evidence . . . may reflect whether the accused infringer ‘knew or should have known’ that its actions would cause another to directly infringe.”<sup>87</sup> The court continued, “the failure to procure such an opinion may be probative of intent.”<sup>88</sup> Thus, at least for now, in the inducement context it appears that failing to provide opinion evidence may be more detrimental to a defendant than in the willfulness context. But if the trend continues toward requiring proof of at least a higher objective standard, rather than simply a “knew or should have known” standard, this tension may relax.

In either the inducement or willfulness contexts, if the plaintiff presents sufficient evidence that the defendant possessed the requisite culpable mental state, the defendant may decide to offer evidence of the non-infringement/invalidity opinion he received. In such a case, the defendant would need to waive the attorney-client privilege with respect to its opinion counsel. But *Seagate* provides protection for the extent of the waiver of the attorney-client privilege: absent “chicanery,” offering opinion counsel's testimony does



not waive the privilege for trial counsel.<sup>89</sup> And this reasoning would appear to apply in the inducement context as well. Thus, *Seagate* advises use of separate opinion and trial counsel in order to protect the extent to which the attorney client privilege is waived.

In addition to these ethical and privilege-related considerations, other ethical implications are involved in determining whether or not to offer evidence of opinion counsel in the willfulness and inducement contexts. For example, MRPC Rule 3.1 provides, “[a] lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis in law and fact for doing so that is not frivolous.” So the advice provided by opinion counsel to a defendant regarding infringement may be relevant to whether or not the trial counsel has a good faith basis for defending the claim of willful or induced infringement.

Additionally, MRPC Rule 3.3(a)(1) provides, “[a] lawyer shall not knowingly . . . make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer.” This rule may become relevant if the trial counsel knows that the defendant actually willfully infringed or induced infringement of a patent.

Further, MRPC Rule 3.4 provides, “[a] lawyer shall not . . . unlawfully obstruct another party’s access to evidence or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value. A lawyer shall not counsel or assist another person to do any such act.” This rule may become relevant if an opinion relating to non-infringement or invalidity of a patent exists. If such an opinion exists, it may have “potential evidentiary value” both to non-infringement and invalidity, and to the existence of a culpable mental state.

### ***(b) Patent Inequitable Conduct and Trademark Fraud***

A number of actions may be relevant in determining whether inequitable conduct has occurred. Here is a brief, non-exhaustive list: listing of inventors in a patent application, attorney arguments in response to USPTO office action, misrepresentations in declarations or affidavits, failure to disclose prior art (including foreign art), failure to disclose notices of allowance (for purposes of determining double patenting), and filing continuation-in-part applications without disclosing intervening prior art. Many of these actions directly involve patent counsel and counsel’s testimony could become important in defending against inequitable conduct.

Similarly, in the trademark context, a trademark applicant/registrant has numerous opportunities to present inaccurate information to the USPTO. Just a few examples: inaccurate listing of goods/services, incorrect dates of first use, incomplete/inaccurate specimens, incorrect statements of use, false statements of a *bona fide* intent to use a trademark, false statements of use of the trademark in interstate commerce, false statements that a trademark has been in continuous use (when renewing registrations), and declarations signed by parties without sufficient knowledge as to what they are attesting. Attorney advice in any of these areas may contribute, at least circumstantially, to showing the registrant’s specific intent.

Although the proof of the culpable mental states in patent inequitable conduct and trademark fraud currently have different requirements, similar ethical considerations are implicated with respect to both prosecution and trial counsel in both of these contexts. For example, where these culpable mental states are in issue, there may be a conflict of interest between the client's interests and the prosecution counsel's interests. MRPC Rule 1.7 provides:

(a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if . . . there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if: (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client . . . and (4) each affected client gives informed consent, confirmed in writing.

The prosecution counsel's interests may be adverse to the client's interests because a finding of inequitable conduct or trademark fraud may result in a claim by the client against the prosecution counsel. Although this conflict may be waived, such a conflict may result in trial counsel's representation being materially limited if either the same lawyer, or the same law firm, acts both as prosecution counsel and trial counsel.

Furthermore, MRPC Rule 3.7 may actually prohibit the same lawyer or the same law firm from acting as prosecution and trial counsel in these contexts, regardless of whether or not the client consents to the conflict. "A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness . . ." MRPC Rule 3.7(a) (subject to three exceptions). "A lawyer may act as advocate in a trial in which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7 or Rule 1.9 [Duties to Former Clients]." *Id.* Rule 3.7(b). Rules 1.7 and 3.7, read in conjunction with the privilege protections granted in *Seagate*, indicate that separate prosecution and trial counsel should be used when patent inequitable conduct or trademark fraud is, or may be, in issue.

### **III. Conclusion**

The Supreme Court's decisions in *Safeco* and *Allison Engine* signal a trend toward a heightened, objective proof standard of culpable mental state, *e.g.*, reckless disregard, deliberate indifference, and "so obvious that it should have been known" standards. The Federal Circuit appears to be following this trend in the context of willful patent infringement and trademark fraud. Specifically, *Seagate* requires at least that the risk of infringement was so obvious that the defendant should have known of that risk. In the context of trademark fraud in *Bose*, the Federal Circuit moved significantly away from a simple "knew or should have known" standard, but may have moved further than *Safeco* and *Allison Engine*, depending on whether or not reckless disregard suffices.

If the Federal Circuit continues to follow this trend, two other areas of law where culpable mental states are implicated may be ripe for revision. In the induced infringement context, *Broadcom* allows liability where the defendant “knew or should have known” that his actions would cause another to infringe. Thus, *Broadcom* is in a similar position to *Medinol* prior to the Federal Circuit’s *Bose* decision. In the context of patent inequitable conduct, the law may have the greatest distance to move in order to fall in line with the trend. Currently, both subjective and objective intent may be irrelevant if the materiality of the information is sufficiently high.

Given this trend toward uniformity in culpable mental state law, some ethical and privilege-related considerations become apparent. For example, pre-litigation advice given by an attorney may become relevant in subsequent litigation. But that advice is protected by the attorney client privilege, and the attorney is also ethically prohibited from disclosing this advice without a client’s consent. If the client consents to disclosure, the attorney-client privilege will be waived, but *Seagate* limits the extent of the waiver to the prosecution counsel’s advice. Given inferences that may arise from non-disclosure of opinion counsel evidence, this decision to waive the attorney-client privilege has different considerations depending on the cause of action.

Regarding ethical considerations, an attorney has ethical obligations with respect to information that is presented to a tribunal. For example, an attorney must have a good faith basis in fact and law for any advocated defense, and an attorney must not unlawfully conceal evidence with potential evidentiary value. These considerations may arise when an attorney is aware of the presence or absence of an opinion relating to a culpable mental state. Further, conflicts of interest may arise where an attorney’s advice to a client becomes relevant in litigation, and an attorney may not represent a client if that attorney is likely to be a material witness in the litigation. In summary, these considerations advise the use of separate opinion and trial counsel in order to comply with an attorney’s ethical obligations and to protect the attorney-client privilege to a greater extent.

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<sup>1</sup> David is an associate with Snell & Wilmer L.L.P. in Phoenix, Arizona, and Scott is a partner with Snell & Wilmer in Denver, Colorado.

<sup>2</sup> The decisions by the Federal Circuit may be somewhat motivated by the Supreme Court’s recent patent decisions that manifest its intention to bring the law of the Federal Circuit into line with other, generally applicable law. See *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839 (2006) (holding that “well-established” and “familiar principles” for granting permanent injunctive relief “apply with equal force to disputes arising under the Patent Act”); *Medimmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 770-77 (2007) (applying general standards for assertion of declaratory judgment jurisdiction in a patent case); *Sandisk Corp. v. STMicroelectronics*, 480 F.3d 1372, 1380 (Fed. Cir. 2007) (recognizing that *Medimmune* overruled pre-existing Federal Circuit test for declaratory judgment jurisdiction); *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370-71 (Fed. Cir. 2007) (en banc) (revising standard for “willful” infringement based on, inter alia, its “well established meaning in the civil context” and the Supreme Court’s treatment of willfulness in *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007), a Fair Credit Reporting Act case).

<sup>3</sup> *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009).

<sup>4</sup> *Safeco*, 127 S. Ct. at 2215-16.

<sup>5</sup> 15 U.S.C. §§ 1681a(k)(1)(B)(i), 1681m(a), 1681n(a).

<sup>6</sup> 15 U.S.C. § 1681m(a). *Safeco*, 127 S. Ct. at 2206.

<sup>7</sup> 15 U.S.C. § 1681o(a).

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<sup>8</sup> 15 U.S.C. § 1681n(a). *Safeco*, 127 S. Ct. at 2206.

<sup>9</sup> *Safeco*, 127 S. Ct. at 2208-09.

<sup>10</sup> *Id.* at 2208.

<sup>11</sup> *Id.* at 2215.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* (emphasis added).

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> 31 U.S.C. § 3729(a)(1).

<sup>17</sup> 31 U.S.C. § 3729(b)(1).

<sup>18</sup> 128 S. Ct. 2123 (2008); see *U.S. v. Science Apps. Int’l Corp.*, 653 F. Supp. 2d 87, 104-09 (D.D.C. 2009) (discussing revisions to the FCA in response to *Allison Engine*).

<sup>19</sup> *Allison Engine*, 128 S. Ct. at 2128 (emphasis added).

<sup>20</sup> *Id.* at 2130.

<sup>21</sup> *Id.*

<sup>22</sup> 31 U.S.C. § 3729(a)(1)(B).

<sup>23</sup> *U.S. ex rel. K & R Ltd. P’ship v. Mass. Housing Fin. Agency*, 530 F.3d 980, 983 (D.C. Cir. 2008).

<sup>24</sup> *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2215 (2007).

<sup>25</sup> In *K & R*, the relator alleged the Massachusetts Housing Finance Agency violated the FCA based on an erroneous reading of mortgage notes. The court signified that even an unreasonable interpretation might not amount to reckless disregard: “K & R never explains why MassHousing’s interpretation of the mortgage notes was unreasonable, much less why its interpretation constituted reckless disregard. While the unreasonableness of MassHousing’s interpretation is merely evidence . . . K & R points to nothing else ‘that might have warned [MassHousing] away from the view it took.’” *K & R*, 530 F.3d at 983 (citing *Safeco*, 127 S. Ct. at 2216).

<sup>26</sup> *Safeco*, 127 S. Ct. at 2215.

<sup>27</sup> See *K & R*, 530 F.3d at 983 (“Reckless disregard under the FCA is an extreme version of ordinary negligence.”).

<sup>28</sup> See, e.g., *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009).

<sup>29</sup> See *id.*

<sup>30</sup> See *id.*

<sup>31</sup> 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

<sup>32</sup> This standard sometimes resulted in a balancing of materiality and intent — similar to inequitable conduct — in some trademark fraud cases under *Medinol*. See, e.g., *Grand Canyon West Ranch, LLC v. Hualapai Tribe*, 88 U.S.P.Q.2d 1501, 1509 (T.T.A.B. 2008) (“when an applicant or registrant provides false information as to a critical element of the application or registration, in determining intent we apply a test of whether the applicant or registrant knew or should have known that the information in question was false.”).

<sup>33</sup> *Medinol*, 67 U.S.P.Q.2d at 1211-10.

<sup>34</sup> See Jennifer Lee Taylor, *New Fraud Standard for Trademark Proceedings*, INTELLECTUAL PROPERTY TODAY, Oct. 2009, at 21.

<sup>35</sup> *Bose*, 580 F.3d at 1245.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 1243.

<sup>38</sup> *Id.* at 1245 (emphasis added).

<sup>39</sup> *Id.* at 1242.

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at 1246.

<sup>42</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (en banc).

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- <sup>43</sup> 35 U.S.C. § 284 permits “enhanced” damages under certain circumstances in patent infringement cases. Courts have generally allowed enhanced damages for willful patent infringement. *See Seagate*, 497 F.3d at 1370.
- <sup>44</sup> *Seagate*, 497 F.3d at 1371.
- <sup>45</sup> *See* Andrew F. Halaby, *Explaining Broadcom v. Qualcomm: Adverse Inferences in Inducement of Infringement Cases*, presented at ABA Annual Meeting, Chicago, IL (August 2, 2009), at 2-5 (discussing the affirmative duty of care previously imposed by Federal Circuit case law and the implications for attorney-client privilege).
- <sup>46</sup> *Seagate*, 497 F.3d at 1371.
- <sup>47</sup> *Id.* at 1366.
- <sup>48</sup> *Id.* at 1366.
- <sup>49</sup> *Id.* at 1373.
- <sup>50</sup> *Id.* at 1371-72.
- <sup>51</sup> *Id.* at 1371.
- <sup>52</sup> *Id.*
- <sup>53</sup> *Id.* (emphasis added).
- <sup>54</sup> 35 U.S.C. § 271(b).
- <sup>55</sup> *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683, 697 (Fed. Cir. 2008).
- <sup>56</sup> *Id.* (emphasis added).
- <sup>57</sup> *Id.* (emphasis added).
- <sup>58</sup> *Id.* at 698.
- <sup>59</sup> *Id.* at 683.
- <sup>60</sup> *Id.* at 698 (emphasis added).
- <sup>61</sup> *SEB v. Montgomery Ward & Co.*, No. 2009-1099, 2010 U.S. App. LEXIS 2454, at \*36 (Fed. Cir. Feb. 5, 2010) (noting that “deliberate indifference is not necessarily a ‘should have known’ standard”).
- <sup>62</sup> *Id.* at \*36-\*37.
- <sup>63</sup> The Federal Circuit opined in dicta that “a patentee may perhaps only need to show . . . constructive knowledge with persuasive evidence of disregard for clear patent markings” in order to meet the knowledge prong. *Id.* at \*38.
- <sup>64</sup> *Broadcom*, 543 F.3d at 698 (emphasis added).
- <sup>65</sup> 37 C.F.R. § 1.56(c).
- <sup>66</sup> 37 C.F.R. § 1.56.
- <sup>67</sup> 37 C.F.R. § 1.56(a).
- <sup>68</sup> *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988); *see also* Angela Foster, *Is the Plague Back? — Inequitable Conduct*, IPL NEWSLETTER, Vol. 26 No. 4, Summer 2008, at 5-8.
- <sup>69</sup> *See, e.g., Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (intent to deceive must be proven by clear and convincing evidence); *Aventis Pharma SA v. Amphastar Pharma, Inc.*, 525 F.3d 1334, 1351-52 (Fed. Cir. 2008) (Rader’s dissent — Federal Circuit case law “restricts a finding of inequitable conduct to only the most extreme cases of fraud and deception”); *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) (“courts must be vigilant in not permitting the defense [of inequitable conduct] to be applied too lightly”).
- <sup>70</sup> *See, e.g., McKesson Info. Soln. v. Bridge Med., Inc.*, 487 F.3d 897 (Fed. Cir. 2007).
- <sup>71</sup> *See, e.g., Kingsdown*, 863 F.2d at 863.
- <sup>72</sup> *See McKesson*, 487 F.3d at 918 (inferring an intent to deceive because the patentee should have known of the materiality of certain undisclosed information).

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<sup>73</sup> See Kate McElhone, *Inequitable Conduct: Shifting Standards for Patent Applicants, Prosecutors, and Litigators*, 17 TEX. INTEL. PROP. L.J. 385, 389 (Spring 2009) (noting the two prong test has been collapsed into a single prong materiality test).

<sup>74</sup> See *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1184 (Fed. Cir. 2006).

<sup>75</sup> See *Aventis Pharma SA v. Amphastar Pharma., Inc.*, 525 F.3d 1334, 1351-52 (Fed. Cir. 2008) (Rader's dissent criticizes the current widespread use of inequitable conduct, reasoning that Federal Circuit case law "restricts a finding of inequitable conduct to only the most extreme cases of fraud and deception"); see also *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) ("courts must be vigilant in not permitting the defense [of inequitable conduct] to be applied too lightly").

<sup>76</sup> 487 F.3d 897 (Fed. Cir. 2007).

<sup>77</sup> *Id.* at 902-907 (discussing the factual background of the attorney's activities during prosecution).

<sup>78</sup> *Id.* at 913-14.

<sup>79</sup> *Id.* at 914-16. The Federal Circuit discussed its previous decision in *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348 (Fed. Cir. 2005), and stated, "[t]he high materiality of the withheld prior art coupled with the lack of a 'credible explanation for the nondisclosure' led us to conclude that the district court had not committed clear error by inferring an intent to deceive." *McKesson*, 497 F.3d at 916.

<sup>80</sup> See, e.g., *In re Seagate Tech., LLC*, 497 F.3d 1360, 1366 (Fed. Cir. 2007) (en banc).

<sup>81</sup> As discussed above, the Federal Circuit has recently held that in the induced infringement context, the knowledge prong may be satisfied if the plaintiff proves the defendant "deliberately disregarded a known risk [of a] protective patent." *SEB v. Montgomery Ward & Co.*, No. 2009-1099, 2010 U.S. App. LEXIS 2454, at \*36 (Fed. Cir. Feb. 5, 2010). In *Safeco*, the Supreme Court held that "where willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well." *Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201, 2208 (2007).

<sup>82</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344-45 (Fed. Cir. 2004).

<sup>83</sup> *SEB*, 2010 U.S. App. LEXIS 2454, at \*36-\*37.

<sup>84</sup> *Id.*

<sup>85</sup> The Federal Circuit's language in *Bose* that "intent can be inferred" may also contribute to this tension. Inferring intent starts to sound like the inferences allowed in the inequitable conduct (inferred if materiality is too high) and inducement (failure to offer testimony of opinion counsel) contexts. If the evidence is only "lesser evidence" in the trademark context, then it cannot be used circumstantially. Recklessness may possibly allow intent to be inferred in the trademark fraud context. See *Safeco*, 127 S. Ct. at 2208 ("[W]here willfulness is a statutory condition of civil liability, we have generally taken it to cover not only knowing violations of a standard, but reckless ones as well.").

<sup>86</sup> Andrew F. Halaby, *Explaining Broadcom v. Qualcomm: Adverse Inferences in Inducement of Infringement Cases*, presented at ABA Annual Meeting, Chicago, IL (August 2, 2009), at 10-11.

<sup>87</sup> *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008).

<sup>88</sup> *Id.*

<sup>89</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1376 (Fed. Cir. 2007) (en banc).