

than indicating a waiver of privilege. Having considered the evidence, the Motion is hereby DENIED.¹

Background

At the outset, it must be noted that privilege issues have dogged this case from the time of discovery. In an attempt to deal with Mitsubishi's concerns about GE's assertion of privilege during discovery, the Court appointed a retired United States Magistrate Judge as a Special Master to provide recommendations regarding privilege. When that effort went astray because of protests from GE, the Court made another Special Master appointment to deal with the problem. After substantial time and expense, the Court received and adopted the recommendations of the second Special Master, which affirmed GE's right to withhold a substantial number of documents based on privilege. Now, the Court once again wades into the tricky waters of privilege.

Mitsubishi raised its objections in a pre-trial filing its Sealed Motion In Limine To Estop Plaintiff From Offering Testimony That Can Only Be Tested By Resort to Privileged Communications (Dkt. 673), Motion to Strike Direct Testimony Characterizing Communications Withheld as Privileged (Dkt. 687) and Mitsubishi's Objections to the Direct Witness Statements of General Electric (Dkt. 683). In an abundance of caution, the Court did not wish to delay to proceedings due to Mitsubishi's nearly 40 pages of objections to the prepared statements of GE witnesses. After the hearing, the Court decided to change the format of the trial from prepared testimony to live testimony, with the hopes of evaluating any potential waivers of privilege as they came. While the Court *did* deny Mitsubishi's motions (Dkts. 673, 683 and 687), this did *not* preclude a finding of waiver for the remainder of the trial, especially in light of the change in

¹ This resolves Dkt. No. 723

testimony, from written to live. As the Court stated during the hearing, "I'll just have to listen to this in the context of the direct and cross examination. But it may have a lot to do with weight instead of admissibility." (Transcript of Pre-Trial Conference, 55:6-9). During trial, Mitsubishi objected to several portions of McGinness' testimony, and the Court granted a standing objection to preserve it for the remaining portions. After the conclusion of the trial, Mitsubishi filed this motion objecting to various portions of McGinness' testimony as waiving privilege, and requested access to the responsive documents.

Standard

This Court is bound by Fifth Circuit precedent. In *In re Spalding Sports Worldwide, Inc.*, the Federal Circuit held that determining whether privilege attaches to a communication in a case of inequitable conduct is governed by the law of the Federal Circuit because it touches on substantive issues of patent law. *Spalding*, 203 F.3d at 803-04 (Fed. Cir. 2000). Yet once a court has determined that the attorney-client privilege is implicated, the question of whether or not the patentee waived that privilege is a matter of regional circuit law because the issue of privilege waiver is merely procedural. See, e.g., *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1272 (Fed. Cir. 2001) (holding that regional circuit law governs waiver by disclosure of privileged material). Importantly, GE bears the burden of proving that it did not waive privilege. The absence of waiver is an element of the attorney-client privilege and the proponent bears the burden of showing that the communication has remained confidential. See *United States v. Miller*, 660 F.2d 563, 570-71 (5th Cir. 1981) (holding that proponent did not meet burden of showing that the disclosure did not constitute waiver).

Summary

The Court recognizes the severe remedy of finding a waiver of privilege in a case such as this. It exposes one party's privileged documents, reopens the case after the final briefing on the merits, and may require additional testimony from witnesses. For both the parties and the Court, it is an extraordinarily sensitive situation that requires tremendous care and consideration. The Court is determined to limit any deleterious effects of such a ruling and move the case forward to a conclusion with the utmost fairness to both parties. As GE correctly states, "the law is clear that the privilege can be waived only when a party puts a specific privileged communication at issue or makes a selective disclosure of privileged information." GE Resp. at 1. In this case, the Court believes GE "cut it close" by often coming close to waiving privilege, but ultimately the most controversial statements dealt more with state of mind, or are evident from the face of the '705 patent. Furthermore, the Court is prepared to discount any testimony it views as potentially unfair or prejudicial to Mitsubishi, while maintaining a critical eye toward self-serving, evasive or misleading testimony from GE employees.

Fifth Circuit precedent is clear on waiver: "[D]isclosure of any significant portion of a confidential communication waives the privilege as to the whole." *Nguyen v. Excel Corp.*, 197 F.3d 200, 208 (5th Cir. 1999). Furthermore, "[b]lanket claims of privilege are disfavored." *Id* at 206 n. 16. And yet when discussing his instructions to outside counsel, McGinness was specific: "I *instructed the firm* that this patent application – this invention was about zero voltage ride through which was different from low voltage ride through and to make sure that when they drafted it that the zero voltage ride through invention distinguished over the low voltage ride through." Mitsubishi App. 75-76 (Vol. 3B, Tr. 56:14-25) (emphasis added).

Typically, such a statement could be seen as a waiver because McGinness is describing his instructions to his outside counsel, and detailing how he wanted the patent to be written. In

this case, however, McGinness' testimony does not implicate any new information that is not already evident from the face of the patent. The '705 patent distinguishes low-voltage ride-through (LVRT) from zero-voltage ride-through (ZVRT), so the fact that McGinness' testified about his instructions is tautological, not revelatory. In *Nguyen*, executives "testified about the directions that they provided their attorneys, and they testified about the legal research undertaken by their attorneys." *Nguyen*, F.3d 200, 206. The Fifth Circuit held that "Excel selectively disclosed portions of the privileged confidential communication, thereby implicitly waiving the privilege." *Id.* In this case, although McGinness testified about the directions he provided to GE's outside counsel, communications between his engineers and outside counsel, and the specific kinds legal research undertaken by outside counsel, the Court does not view these as waivers because they do not constitute a *significant* portion of any confidential communications, and instead are factual statements that are either too general as to waive privilege, or already evident from the '705 patent itself.

The Court is cognizant of GE's strategy in this case. As an experienced attorney, McGinness understood the potentially severe consequences of waiving privilege, as did GE's lawyers during the trial. The Court believes that GE employed an aggressive litigation strategy with McGinness' testimony: coming perilously close to waiving privilege while never actually doing so; dangling near the edge without ever falling over. To the extent that McGinness' testimony was either self-serving, evasive or misleading, the Court believes these flaws go more to the *weight* of the evidence, rather than serving as a waiver. The unique nature of the bench trial allows the experienced trier of fact to discount and critically evaluate testimony that might otherwise implicate privilege in a jury trial. Typically, Courts rule that "it is black letter law that once the privilege is waived, and the horse is out of the barn, it cannot be reinvoked." *Ray v.*

Cutter Labs, Div. of Miles, Inc., 746 F. Supp. 86, 88 (M.D. Fla. 1990). And certainly, a party may risk “at issue” waiver by putting its own conduct at issue. “[T]he privilege may be waived if the privilege holder makes factual assertions the truth of which can only be assessed by examination of the privileged communication.” *Adam Friedman Associates LLC v. Media G3, Inc.*, 2012 WL 1563942 (S.D.N.Y. May 1, 2012). Nevertheless, for the reasons stated above, the Court believes the McGinness’ assertions of truth do not require examining the privileged communications.

Finally, the Court is certainly sensitive to Mitsubishi’s desire to get to the truth of the matter and examine McGinness’ claims about which prior art was cited and why. Yet even absent a finding of waiver, the existing evidentiary record presents serious, profound questions as to why *Jannsen* was the lone reference cited by GE in the ‘705 patent, and the Court will address the questions with the utmost care and fairness in its final decision on the merits.

Categories of Testimony

GE breaks McGinness’ testimony into four distinct categories: (A) testimony concerning McGinness’ instructions to outside counsel during the prosecution of the ‘705 patent application; (B) testimony concerning McGinness’ directions to GE engineers and steps taken to locate prior art; (C) testimony concerning the reasons that the alleged prior public uses were not disclosed to the Patent Office; and (D) testimony concerning withheld communications with GE engineers analyzing competitor IP. *See* GE Resp. at 3.

GE further contends that categories B, C, and D involve “non-privileged *facts*” rather than confidential, privileged communications, and therefore do not constitute a waiver. In arguing this point, GE cites another inequitable conduct trial, *Genentech, Inc. v. Insmmed Inc.*, which held that “[w]aiver is not likely to be found when the statements alleged to constitute

waiver do not disclose the contents of a specific communication between client and attorney.” 236 F.R.D. 466, 469 (N.D. Cal. 2006). The Court agrees. GE also concedes that the testimony in category A of Mitsubishi’s motion “arguably touches on the substance of attorney-client communications”, but it still does not effect a waiver. GE Resp. at 4. On this point, the Court also agrees, though only by the slimmest of margins.

Communications with Outside Counsel (Category A):

The Court finds that McGinness’ testimony regarding his outside counsel came closest to waiving privilege, and was often so self-serving that his statements will have *negative* evidentiary value for GE during the judgment phase of the trial. When questioned by Mitsubishi’s attorneys about the *Neilsen* patent held by Vestas, which McGinness is accused of deliberately withholding from the patent office, he replied, “To the extent that I was aware of it, I would disclose it.” Mitsubishi App. 39 (Vol. 3A, Tr. 123:5). By deductive reasoning, McGinness implicitly stated that he was *unaware* of the alleged relevance of the *Neilsen* patent that he is accused of withholding from the patent office. In fact, earlier in his testimony, when questioned about whether he recalled evaluating the Neilson patent and determining whether or not to disclose it in the ‘705 application, McGinness stated that “No, I do not.” Mitsubishi App. 38 (Vol. 3A, Tr. 122:2). The Court believes such statements, while clearly calculated in their attempt to imply good faith, deal more with McGinness’ *state of mind* at the time, and do not implicate any attorney-client privilege.

Fifth Circuit precedent unequivocally states that privilege may not be used as a sword and shield precisely because it prejudices the other party, and “[a]ttempts at such improper dual usage of the privilege result in a waiver by implication.” *Nyugen*, 197 F.3d 200, 207. *See also*

United States v. Ortland, 109 F.3d 539, 543 (9th Cir. 1997) (“The privilege which protects attorney-client communications may not be used both as a sword and a shield. Where a party raises a claim which *in fairness* requires disclosure of the protected communication, the privilege may be implicitly waived.”); *United States v. Bilzerian*, 926 F.2d 1285, 1292 (2d Cir. 1991) (“[T]he attorney-client privilege cannot at once be used as a shield and a sword.”). Here, McGinness used privileged documents and materials to directly indicate good faith by GE during the patent process, but because the statements dealt more with his state of mind at the time, the Court is not prepared to open up the Pandora’s Box of privilege waiver as a result.

During McGinness’ testimony, Mitsubishi’s counsel later asked him to explain exactly what he told his outside counsel. App. 75 (Vol. 3B, Tr. 56:14-15). McGinness explained that he “instructed” his attorneys to draft the ‘705 Patent in a particular way so as to distinguish Zero-Voltage Ride-Through technology from Low-Voltage Ride Through (LVRT):

A. * * *I instructed the firm that this patent application – this invention was about zero voltage ride through which was different from low voltage ride through and to make sure that when they drafted it that the zero voltage ride through invention distinguished over the low voltage ride through.

Q. That’s what you told Armstrong Teasdale for purposes of prosecuting the ‘705 patent?

A. Yes.

Q. And what else did you tell them? Basically, we would have to see what your communications with that firm were, wouldn’t we?

A. I don’t know.

Mitsubishi App. 75-76 (Vol. 3B, Tr. 56:14-25 – 57:1-4) (emphasis added). The Court agrees that McGinness testified to his directions to his outside counsel, prior art discussed with outside counsel, discussions regarding the scope of the patent, and even the kinds of language that would be included in the patent.

- Q. Well, when you saw the draft, let's say the final draft of the '705 application, and you saw what was disclosed along with it in terms of prior art and prior use, did you question anybody at GE saying, is this everything that we have to disclose?
- A: I don't recall.
- Q: Is that something you should have done?
- A. **I know I talked to outside counsel and made sure that they collected – whatever prior art was known by the inventors that they were working with.**
- Q: Do you remember doing that, or is that just what you think you did?
- A: That's what I think I did.
- Q: So somebody at GE made a deliberate decision what to disclose in terms of prior art and what not to, correct?
- A. Well, we've been through this. Again, I made a decision about the art. I sent to outside counsel that that should be cited. It was. Some art that I wasn't aware of I think was also collected.

Mitsubishi App. 35 (Vol. 3A, Tr. 93:7-25) (emphasis added).

- Q: Do you know why GE did not disclose Neilsen, Wobben, or Erdman, but it did disclose Jannsen?
- A. I believe it's because we were aware of the Jannsen reference. It was a significant – Again, it was a significant patent in my mind because it had been licensed. So that stuck in my memory. The other references you are referring to I have no recollection of. **So I believe they weren't cited because no one associated them with the '705.**

Mitsubishi App. 56-57 (Vol. 3B, Tr. 21:25 – 22:1-9) (emphasis added). Beyond the clear precedent in the Fifth Circuit, there is also a series of cases in the Federal Circuit that suggests such specific, self-serving statements could constitute a significant waiver of privilege. *See In re VISX, Inc.*, 18 F. App'x 821, 824 (Fed. Cir. 2001) ("By stating that no one at VISX had directed the British patent agent to make the particular statement to the EPO, VISX made representations about the contents of communications and sought to use those representations to its benefit. By making what amounted to a limited disclosure of the contents of attorney-client communications

for strategic purposes, VISX waived its privilege concerning communications with the British patent agent on the same subject matter.”). McGinness is clearly implying that the *Jannsen* reference is the *only* one that was considered relevant by the GE team of engineers, and directly states that GE’s outside counsel collected *all* prior art known by the inventors—the obvious implication being that the only relevant art known by the inventors was *Jannsen*. Nevertheless, the Court is prepared to critically evaluate such self-serving statements without the aid of additional documentation. In other words, the purpose of finding waiver is to prevent prejudice against the opposing party because it cannot confirm the testimony without accessing privileged materials. But as the trier of fact in a bench trial, the Court can eliminate such prejudice by preventing McGinness’ statements from aiding GE’s case.

As the Fifth Circuit has stated, once waived, privilege cannot be reasserted; that is, once the genie is out of the bottle, it cannot be put back. “[W]here there has been a disclosure of a privileged communication, there is no justification for retaining the privilege. For that reason, it has long been held that once waived, the attorney-client privilege cannot be reasserted” *United States v. Suarez*, 820 F.2d 1158, 1160 (5th Cir. 1987). Furthermore, “[t]he need to cloak these communications with secrecy . . . ends when the secrets pass through the client’s lips to others.” *United States v. El Paso Co.*, 682 F.2d 530, 539 (5th Cir. 1982). Here, the Court believes that while McGinness *did* disclose privileged communications, they were not significant enough to justify finding a waiver of privilege, especially because as the trier of fact, the Court is able to weigh the testimony accordingly.

GE points to *Genentech, Inc. v. Inmed Inc.*, in which the court held that “[a]dvice is not in issue merely because it is relevant, and does not necessarily become in issue merely because the attorney’s advice might affect the client’s state of mind in a relevant manner. Waiver is not

likely to be found when the statements alleged to constitute waiver do not disclose the contents of a specific communication between client and attorney.” 236 F.R.D. at 469 (citations and quotations omitted). In the section highlighted below, however, McGinness directly stated that whatever prior art was known by the inventors was collected by outside counsel:

- Q. You testified that the engineers provided information directly to outside counsel on the '705 patent?
- A. **I know the engineers were in contact with outside counsel.** The engineers who invented the '705 patent were in contact with outside counsel.
- Q. Well, when you saw the draft, let's say the final draft of the '705 application, and you saw what was disclosed along with it in terms of prior art and prior use, did you question anybody at GE saying, is this everything that we have to disclose?
- * * *
- A. **I know I talked to outside counsel and made sure that they collected -- whatever prior art was known by the inventors that they were working with.**
- Q. Do you remember doing that, or is that just what you think you did?
- A. That's what I think I did.
- Q. So somebody at GE made a deliberate decision what to disclose in term terms of prior art and what not to, correct?
- A. Well, we've been through this. Again, I made a decision about the art. I sent to outside counsel that that should be cited. It was. Some art that I wasn't aware of I think was also collected.

Mistubishi App. 35 (Vol. 3A, Tr. 93). GE fundamentally mischaracterizes McGinness' testimony as merely stating what is already obvious from the face of the public patent: the fact that Janssen was cited as prior art. In fact, McGinness went much further than merely discussing the obvious. Instead, he discussed *how* and *why* Janssen was the lone reference submitted, when so many other patents existed.

McGinness also testified that he told outside counsel about all prior art of which he was aware and subsequently advised outside counsel to cite it to the patent office:

Q. And so you and the outside counsel made a deliberate decision what would or would not be disclosed to the Patent & Trademark Office on the '705 patent, correct?

A. We would make a decision about disclosure, that's correct.

Q. Now do you recall analyzing and making that decision for the '705 patent?

A. **I have a vague recollection that I was aware of some art, and I made sure that I sent it to two of my outside counsel to be included in the information disclosure statement.**

Q. Was it a matter of you sending it to the outside attorney and the outside attorney made the decision? Is that what happened?

A. **Well, I sent it with the instruction to cite this.**

Q. You instructed outside counsel?

A. **So what I sent to him was to be citing this.**

Q. Do you have record of what you sent to him?

* * *

A. I don't remember a particular document. **I'm sure I e-mailed it to him**, but I don't recall that e-mail.

Mitsubishi App. 19 (Vol. 3A, Tr. 65:1-25) (emphasis added).

"Two basic elements are given play in deciding whether the client has waived the privilege: the client's intent to waive the privilege, which may be implied from the circumstances, and considerations of fairness and consistency." *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 1990 WL 154218 at *8 (D. Del. May 8, 1990). Here, the Court believes Mitsubishi's accusations of waiver and requests for production are overly broad. If the Court were to fully grant the motion, *all* documents in GE's possession relating to the 705 patent would be fair game. Here, McGinness made statements regarding his instructions to outside counsel, but the Court does not believe he waived privilege by using it as a shield and sword, such that the only way to test the veracity of his statements is to examine the responsive documents in the privilege log. "The law ... does not permit a witness to open the door just wide enough to offer the Court an impaired view of the facts. Once the witness voluntarily opens the door, the Court may open it completely, and scrutinize every exposed matter." *In re Mudd*, 95 B.R. 426, 430 (Bankr. N.D. Tex. 1989). In this case, because it is a bench trial, it is not necessary to "open the

door.” As previously stated, the Court is prepared to discount McGinness’ statements in its final decision on the merits, or to assign them negative value for GE, as needed.

The *Murata* decision in the Illinois district court astutely outlines the risks of too easily finding a waiver of privilege merely because a state of mind is put at issue. Such a standard could result in a dysfunctional system where seemingly any answer to a charge of inequitable conduct could pierce the attorney-client privilege:

Any defendant in any patent infringement case could destroy its opponent's attorney-client privilege by leveling the rather common charge of inequitable conduct before the patent office. The plaintiff denies the charge, thereby placing its state of mind at issue and voila, the defendant has access to the plaintiff's privileged communications with its counsel. It would happen in every case.

Murata Mfg. Co., Ltd. v. Bel Fuse, Inc., 2007 WL 781252 at *8 (N.D. Ill. Mar. 8, 2007). Yet the alternative system—in which waiver is only found in the most egregious, flagrant examples—would present similarly serious risks. Ultimately, this Court seeks a balance between these two systems, as the complexity of inequitable conduct charges requires a more nuanced and fact-specific examination of the testimony.

McGinness’ Testimony Concerning (i) Directions Given to Engineers and the Steps Taken to Locate Prior Art; (ii) the Reasons That Prior Public Uses Were Not Disclosed to the Patent Office; and (iii) Withheld Communications with GE Engineers Analyzing the IP of Competitors (Categories B, C & D)

The Court holds that McGinness’ testimony in categories B, C & D was limited to non-privileged facts. In some cases, his testimony may appear to come very close to waiving privilege, but does not cross the line. Furthermore, the unique nature of a bench trial allows the experienced trier of fact to weigh the testimony accordingly. Mitsubishi contends that McGinness testified that the inventors were instructed to turn over all material prior art, and that he further relied on the patent board’s knowledge of industry developments. According to

Mitsubishi, these statements constituted a waiver because “[t]he clear implication is that McGinness must have acted in good faith because these sources of information, according to him, did not call attention to the material prior art.” Mitsubishi Mot. At 13. Mitsubishi further argues that since McGinness discussed his instructions to colleagues and their lack of a response, as well as his own state of mind, he cannot now withhold the responsive documents. Mitsubishi Mot. At 13-14.

Category B: Directions Given to Engineers & Steps to Locate Prior Art

Principally, Mitsubishi cites the following testimony as evidence of waiver. First, when McGinness testified about what he knew, remembered and did during the preparation of the patent application:

Q. So, basically, you relied on your team of engineers to supply you with prior art, prior uses, publications or, actually, supplied outside counsel with that information for a patent file?

[A.] Yes, between myself and the inventors[.]

Mitsubishi App. 21 (Vol. 3A, Tr. 67:20-24). The Court views this statement as general and innocuous. No privileged information is exposed, because McGinness is merely talking about working with his engineers on the patent application—something that any lawyer would do. Second, Mitsubishi points to McGinness testimony regarding his instructions to the inventors. When asked about who made the ultimate determination of what prior art would be disclosed to the patent office on the '705 patent, McGinness described his communications with inventors:

[W]e instruct our inventors, and we make sure – one of the things we tell our outside counsel to do is to make sure in your discussions with inventors, that they are aware of their duties and they collect from them any prior art they know of so they’d cite it.

Mitsubishi App. 18 (Vol. 3A, Tr. 64:3-7). Yet again, this is nothing more than a general statement about the process GE uses; in other words, classic fact statements. Without greater

specificity from McGinness, the Court cannot find any waiver. Third, Mitsubishi contends that McGinness waived privilege by describing how he relied on the communications received from the inventors and other technical people to defend the contents of the '705 patent application:

Again, the Court views this testimony as touching on purely factual, procedural matters. McGinness testified that engineers were in contact with outside counsel, that outside counsel collected their prior art, and decisions were made about prior art. Those types of statements are vague enough as to avoid implicating any privileged documents, and are more related to general practices.

Mitsubishi also contends that "McGinness further testified about the GE IP review board – his reliance on the board's knowledge of relevant prior art as well as their motives for approving the filing of the patent application." Mitsubishi Mot. at 15. For example, when asked how to evaluate the patentability of an invention, McGinness responded: "Well, the patent board is a group of fairly senior technologists who have a lot of experience in the industry, and they have a certain awareness of what technology has been developed and already in existence or in public use or a certain amount of patent literature that they happen to have seen over the years." Mitsubishi App. 10 (Vol. 3A, Tr. 44:2-14). McGinness then testified the patent board made this evaluation for the '705 patent claims. *See* Mitsubishi App. 13 (Vol. 3A, Tr. 47:12-17) ("Well, with the '705 patent, right, the board makes its evaluation. It's possible there could have been something in the invention disclosure in terms of prior art, but they are also using their own knowledge. . . ."). McGinness also testified that the board's decision in December 2005 to approve the filing of the patent application had "no relationship" to FERC's adoption of Order 661A. *See* Mitsubishi App. 15 (Vol. 3B, Tr. 49:12-15). The Court believes that McGinness testimony only touched on non-privileged facts, because he was essentially describing his

general practices at the time. While he does raise the possibility that the GE IP review board may have encountered prior art, the Court does not believe this constitutes a specific enough statement to be a waiver of privilege.

Mitsubishi also points to other statements McGinness made about the GE IP review board, the purported reasons that allegedly prior public uses were not disclosed, and his state of mind during the patent and research process. Upon closer examination, however, the Court believes these matters fit more closely with Category A: communications with outside counsel.

McGinness also testified that he did not disclose any prior uses to the patent office because he was only aware of sales that were less than a year old.

Q. Do you recall GE's decision not to disclose any prior sales or prior uses in the prosecution of the '705 patent?

A. I do.

Q. Tell me what you recall about that.

A. I became aware of some offers for sale that GE had made and discussing that with some of the engineers about whether that -- essentially, whether that invention had been made, at what point in time that invention had been made so that it was ready for patenting and making sure that we filed that application before what is known as the bar date occurs, after one year -- the one year period of time from when an invention is ready for patenting that you file before that one year date.

* * *

Q. Was that something that GE took up with outside counsel, or was it just a decision not to disclose that would have been made wholly within GE?

A. **The discussion was within GE, but I remember the information about the sale was also communicated to outside counsel that was preparing the patent application.**

Q. Who were you discussing these issues with?

A. Principally, I remember discussing it with the engineers.

A. One person in particular I can recall is Scott Frame.

Q. Is that telephone, in person, e-mail, all three? What do you remember?

A. I remember e-mail and phone calls.

Q. **So, basically, GE made a deliberate decision not to disclose those prior product sales or offer for sale that you just talked**

about for the '705 patent?

- A. **That's correct. Our practice was to make sure we file before any bar date occurred, and if we weren't able to file before that bar date, we just wouldn't file.**

Mitsubishi App. 31-32 (Vol. 3A, Tr. 77:7-27 – 78:1-21). Again, while such statements disclose certain facts about the way GE operated at the time, these are more issues of general practice, rather than implicating privileged documents.

Category C: McGinness' Testimony about Alleged Prior Public Uses

During McGinness' direct and cross-examinations, he testified regarding why the alleged prior public uses were never disclosed to the patent office and his state of mind at the time. He testified that the only sales of which he was aware and discussed with outside counsel were less than a year before the filing of the '705 patent application and that he was not aware of the earlier sales and public uses. This testimony places McGinness' contemporaneous communications with outside counsel directly at issue.

Initially, McGinness testified that he did not disclose any prior uses to the patent office because he was only aware of sales that were less than a year old. Mitsubishi App. 31-32 (Vol. 3A, Tr. 77:7-27 – 78:1-21). Later, when GE's counsel later asked him additional questions about why the alleged prior public uses were not disclosed, McGinness responded that the first time anyone ever suggested to him that ZVRT was deployed in commercial products was during the course of the litigation. App. 70 (Vol. 3B, Tr. 51:17-21). GE's counsel then asked McGinness to "wrap up on this point" and state whether he ever heard that GE's wind farms had ZVRT capability before the filing of the 705 patent application:

- Q. Mr. McGinness, let's wrap up on this point. Did you ever hear that the Sweetwater Wind Farm had turbines that were configured to be capable of zero voltage ride through in the period before the '705 application was filed?

A. No.

App. 73 (Vol. 3B, Tr. 54).

Q. Sir, did you ever hear at any time prior to 2009 that a wind farm known as Colorado Green had GE wind turbines with zero voltage ride through capability and would be prior art to the '705 patent?

A. No, I did not.

Q. Let me ask the same question with respect to a wind farm named Taiban Mesa. Did you ever hear such a statement with respect to that wind farm?

A. No.

* * *

Q. Do you understand that they are accusing you of having been a quarterback orchestrating a series of wrongful acts by other employees?

A. I do.

Q. Is there any truth [to] that?

A. No, sir.

App. 73-74 (Vol. 3B, Tr. 54). When Mitsubishi objected to the testimony as hearsay, GE claimed that it was non-privileged and was elicited merely to show McGinness' state of mind. Some courts hold that if an attorney testifies that he had no knowledge of prior art, he likely waives his client's privilege to any documents possibly revealing his knowledge of prior art at the time. *See Gen. Elec. Co. v. Hoechst Celanese Corp.*, 1990 WL 154218 (D. Del. May 8, 1990) ("[W]hen state of mind is an issue in a case, a party should not be permitted to testify about its state of mind at the time allegedly privileged communications occurred, without pointing to nonprivileged evidence to substantiate its claim or allowing the opposition to discover the privileged communications themselves."). In *Gen. Elec. Co. v. Hoescht*, a patent infringement case, GE's counsel testified at a deposition in a manner very similar to McGinness:

Q. Did you know at the time you were in the interview with the examiner about [the German experiment] as reflected in [Dr. Borman's Jan. 21, 1986 letter to Mr. Mufatti]?

A. I did not recall that work.

Q. You did not recall it?

A. No.

Q. If you had recalled it, what would you have told the examiner?

A. First of all, I became aware of this letter [five months ago] during Dr. Borman's deposition. I did not recall this letter at that time or during the interview with the examiner or during the prosecution of the reexamination.

Q. If you had recalled it, do you agree you should have told the examiner about this data?

A. I certainly consider this to be irrelevant to the question of the patentability of the claims. Had I remembered this letter at the time or this work, I probably would not have called it to the attention of the Patent Office because I considered this to be irrelevant to the [GE] patent during reexamination.

Dr. W.F. H. Borman, a GE employee, also testified concerning the same letter:

Q. Dr. Borman, do you have any recollection of the events set forth in this letter?

A. No. I don't have any recollection.

Q. Do you have any recollection of having a meeting or discussion with Mr. Mufatti preparatory to undertaking the work that is reflected in this letter?

A. No, I don't.

Q. I was discussing with you the fact that one year prior to [the ABC experiment] you had for purposes of the German application supervised [the German experiment], correct?

A. According to the letter I was shown this morning, indeed I had done such work. However, that work was of a totally different nature....

Gen. Elec. Co. v. Hoechst, 1990 WL 154218 at *8-9. As a result of that testimony, the Court ordered an *in camera* inspection of related documents, holding that “[t]he only way for defendants to refute these assertions is to examine the privileged communications themselves. In light of GE's affirmative representations regarding Borman and Mufatti's state of mind, and in light of the record reflecting contemporaneous communications between Borman and Mufatti, fairness requires that defendants be allowed to uncover the foundations for GE's assertions.” *Id* at *9. Courts often find waiver in similar situations because “fairness dictates that a privilege holder “cannot be allowed, after disclosing as much as he pleases, to withhold the remainder.” *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005) (citation omitted). Still, while McGinness’ statements about his knowledge or lack thereof about the alleged ZVRT

capabilities of turbines at Sweetwater, Colorado Green, and Taiban Mesa are directly related to his communications with GE engineers—specifically Scott Frame and Einar Larsen—they do not constitute a waiver of the attorney-client privilege. If they did, the Court would have to permit Mitsubishi to examine nearly all communications between McGinness and his engineers prior to 2009—an extreme remedy that is unnecessary given the unique nature of a bench trial.

Category D: Communications with GE Engineers Analyzing the IP of Competitors

The Court finds no waiver regarding McGinness' discussions about the IP of competitors in the Wind industry. For example, McGinness specifically acknowledged that he sent the Erdman patent application to Jim Lyons, along with an excel sheet of Clipper Wind IP that highlighted the Erdman patent application. App. 49-52 (Vol. 3B, Tr. 6-9). GE redacted, on privilege grounds, the portion of the cover email containing McGinness' communication to Lyons. *See* PTX-455 (App. 80-82). At the bench trial, McGinness sought to explain his reasons for highlighting the Erdman patent application by relying upon the redacted cover email:

- Q. Do you know why in June of 2006 you would have a spreadsheet in your files with the Erdman '083 patent application highlighted?
- A. In looking back – I think you are showing me this in relationship to this email that . . . was asking about a variable speed patent . . . And actually the one above this, if you scroll up further [on the excel sheet] . . . This one here. So this is a variable speed patent application, and this may be what was being sought.
- Q. What I'm asking you about is what I have here is a GE spreadsheet that's got the Erdman patent application highlighted. It's coming out of your files. And my question is do you know why?
- A. I think it's what I was just explaining. **There was an attempt to find what the Clipper patent and applications were that might be variable speed, and there is such a patent application in this spreadsheet, and that seems to be responsive to the question that was being asked here. * * *** And that I think was what was of interest to the business.

App. 51-52 (Vol. 3B, Tr. 8:9-22 –9:1-11). In making those statements, McGinness testified that his intent was to highlight the patent application appearing just before Erdman on the Excel chart and not Erdman itself, even though his communications on that email had been withheld from Mitsubishi with the redacted email cover. Nevertheless, the Court does not believe that producing the responsive documents is necessary because such statements go to the weight of the evidence, rather than implicating privilege.

In addition, McGinness testified as to the subjects discussed – and not discussed – at a meeting two days prior to the filing of the '705 patent application. On October 18, 2006, McGinness met with GE employees Nicholas Miller, Scott Frame, and Robert Delmerico for a so-called “grid connect IP workout.” Mitsubishi App. 22 (Vol. 3A, Tr. 68:14-71:6). During discovery, GE produced attachments to email communication leading up to that meeting. At trial, McGinness admitted that the morning before the meeting he received a PowerPoint presentation identifying and incorporating Vestas, Enercon, and Clipper patents. Mitsubishi App. 24 (Vol. 3A, Tr. 70:2-19). McGinness claimed that the purpose of this meeting was to discuss the IP of small competitors – and *not* to discuss the IP of Vestas, Enercon or Clipper Wind:

Q: So you and Mr. Miller and Mr. Frame and Mr. Delmerico get together on October 18th with access to all the competitor patent literature that's relevant to the '705. Is it fair to assume that the four of you all talked about the '705 patent application?

A: I doubt that we did. This grid connection study was about studying third party patent rights to ensure, you know, we understand what they were, so that as we were developing our own connection technology, **we made sure we were avoiding it.**

Mitsubishi App. 24-25 (Vol. 3A, Tr. 70-71). By testifying in such a manner, McGinness was attempting to imply the GE was unaware of the potentially significant relevance of its competitors IP to the '705 patent—while simultaneously withholding the documents from

Mitsubishi. On further questioning from GE's counsel, McGinness claimed that GE did *not* hold a grid connect IP landscape review – to discuss grid fault technology in competitor patents – until September 2008. Mitsubishi App. 68-69 (Vol. 3B, Tr. 49– 50). Such testimony similarly attempts to paint GE as acting in good faith during the patent process. Nevertheless, the Court does not believe such statements constitute a waiver, but rather, serve to indicate McGinness' state of mind, and to the extent that they are self-serving, the Court will judge them accordingly.

Scope of documents requested:

Mitsubishi argues that it “is entitled to any communications between James McGinness and Armstrong Teasdale relating to the '705 patent prosecution, including the subject of prior art and the scope of the claims, as well as any documents referencing those communications.” Mitsubishi Mot. at 12. “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); *accord SEC v. Microtune, Inc.*, 258 F.R.D. 310, 317 (N.D. Tex 2009). “All authorities agree that in such a situation waiver extends to all otherwise-privileged communications on the same subject matter that are reasonably necessary to make a complete and balanced presentation.” Restatement (Third) of the Law Governing Lawyers § 79 cmt. f (2000).

For its part, GE argues that *even if* privilege was waived, no further documents should be produced:

Even if the Court finds that the category A testimony disclosed privileged information and GE intentionally waived the privilege, *the waiver still should not extend beyond the information already disclosed* through McGinness's testimony because, contrary to Mitsubishi's assertions, the undisclosed information (*i.e.*, the documents and communications on GE's privilege log to which Mitsubishi seeks access) need not in fairness be considered together with McGinness's testimony concerning his instructions to Armstrong Teasdale as required by Rule 502.

GE Response at 14. GE then cites to the advisory committee notes of Rule 502 which state that any waiver should not extend to undisclosed communications in those circumstances:

The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, *generally results in a waiver only of the communication or information disclosed*; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary.

Fed. R. Evid. 502, Advisory Committee's notes (emphasis added). The ruling of this Court is in keeping with those notes. As stated repeatedly, fairness requires the disclosure of related, protected information in order to prevent a selective and potentially misleading presentation of evidence to the disadvantage of Mitsubishi. Yet even if McGinness' testimony came perilously close to waiving privilege, such waivers were limited to the statements uttered. The Court wishes to ensure fairness to both parties, and to the extent that McGinness' testimony skirted the edge of privilege, this will relate more to the weight of the testimony, rather than implicating hundreds or thousands of responsive documents.

Striking the testimony

GE contends that the Court can "simply strike those portions of McGinness' testimony and avoid the issue entirely." GE Resp. at 15. Yet GE does not offer a single supporting case, whereas Mitsubishi has presented sufficient case law suggesting waivers should not be withdrawn. *See Suarez*, 820 F.2d 1158, 1160 ("It has long been held that once waived, the attorney-client privilege cannot be reasserted."); *Genentech, Inc. v. U.S.I.T.C.*, 122 F.3d 1409, 1416 (Fed. Cir. 1997) ("When the attorney-client privilege has been waived, whatever the subject matter of the waiver, the privilege is gone.").

Certainly the unique nature of the bench trial could allow for such a remedy. But Mitsubishi astutely points out, this could set a dangerous precedent by allowing a party to “try out” a selective disclosure of privileged information and then avoid the remedial consequences. Mitsubishi Reply at 10. The Court is unwilling to permit such a potentially abusive practice, especially when GE used the disclosures to support its witnesses’ credibility. McGinness was a central witness in the case, and to entirely withdraw the testimony weeks later would seriously prejudice Mitsubishi. This is particularly true in an inequitable conduct trial, where one party must prove that the other deliberately withheld material prior art from the Patent Office. In this case, the waiver was not on a collateral matter, but rather, one that strikes at the heart of the case. To simply swipe it away the contentious testimony entirely would be improper. Instead, as previously stated, the Court believes a modified approach is preferable, whereby McGinness’ most self-serving statements that *could* implicate privilege are not stricken entirely, but rather, weighed accordingly as part of the evidentiary record.

Conclusion

Having considered the evidence, the Court is of the opinion that the Motion is hereby DENIED.

IT IS SO ORDERED.

SIGNED this 5th day of April, 2013.

A handwritten signature in black ink, reading "Royal Furgeson", written in a cursive style.

Royal Furgeson
Senior United States District Judge