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The Attorney-Client Privilege and the Work-Product Immunity Doctrine

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I. [4.1] INTRODUCTION

The attorney-client privilege is the oldest privilege for confidential communications in the common law. *In re Seagate Technology, LLC*, 497 F.3d 1360, 1372 (Fed.Cir. 2007). Nevertheless, the application of the attorney-client privilege and the work-product immunity doctrine to the practice of patent law is highly complex and fraught with conflicting and irreconcilable caselaw. In fact, because of fundamental misunderstandings by several lower courts, it was not until 1963 that the Supreme Court resolved the issue of whether practicing before the United States Patent and Trademark Office (USPTO) constituted the practice of “law” and was entitled to the protection of the attorney-client privilege. *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 10 L.Ed.2d 428, 83 S.Ct. 1322 (1963).

Fortunately, the Supreme Court held that practicing before the USPTO was the practice of law. Nevertheless, the highly complex nature of practicing patent law before the USPTO and in litigation, the complex subject technologies, and the global business strategies that a patent lawyer must address make the proper application and evaluation of the attorney-client privilege in patent-related matters problematic. Although it may not be the rule, it certainly is not the exception that communications that on their face appear to be and were believed to be protected by the attorney-client privilege are found to be unprotected and disclosed in litigation.

Additionally, until recently patent law was one of the few areas of law in which parties were forced to waive their attorney-client privilege or face punitive damages. This Hobson’s choice created a greater likelihood that privileged communications would lose their protection and be disclosed in litigation. Recently, the law regarding privilege and punitive damages in patent cases has substantially changed. It is now much less likely that a party will need to waive the attorney-client privilege in order to avoid punitive damages in patent litigation. See §§4.32 – 4.38 below. Moreover, there is a proposed amendment to the Federal Rules of Evidence that is currently in Congress that will greatly strengthen the attorney-client privilege and reduce the cost of protecting that privilege in litigation.

This chapter reviews the law and pragmatic efforts of attorney-client privilege and work-product immunity as they apply to patent-related matters. It is important, however, to remember that the law in this area is sui generis and that those communications that are believed to be privileged and thus protected from discovery may not be. Thus, the practice of patent law requires that greater care be taken than in most areas of the law when committing positions to writing.

II. ATTORNEY-CLIENT PRIVILEGE IN GENERAL

A. [4.2] Elements of and Policies Behind the Attorney-Client Privilege

The attorney-client privilege protects communications between lawyers and their clients. The privilege belongs to the client, not the lawyer. It provides the client the right to refuse to disclose and to prevent others from disclosing confidential communications made while seeking or rendering legal advice. *In re Seagate Technology, LLC*, 497 F.3d 1360, 1372 (Fed.Cir. 2007); *In re EchoStar Communications Corp.*, 448 F.3d 1294, 1300 – 1301 (Fed.Cir. 2006); *American*

Standard, Inc. v. Pfizer Inc., 828 F.2d 734, 745 (Fed.Cir. 1987); *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 383 (D.D.C. 1978); *Handgards, Inc. v. Johnson & Johnson*, 413 F.Supp. 926, 929 (N.D.Cal. 1976). The privilege balances competing policies of the need for the client to obtain fair and frank advice and the need to find relevant information:

To induce clients to make such communications [of pertinent facts], the privilege to prevent their later disclosure is said by courts and commentators to be a necessity. The social good derived from the proper performance of the functions of lawyers acting for their clients is believed to outweigh the harm that may come from the suppression of evidence in specific cases. *United States v. United Shoe Machinery Corp.*, 89 F.Supp. 357, 358 (D.Mass. 1950), quoting Comment to the American Law Institute Model Code of Evidence Rule 201.

Thus, the attorney-client privilege serves the important public policy of fostering “full and frank communication between attorneys and their clients and thereby promote[s] broader public interest in the observation of law and administration of justice.” *Upjohn Co. v. United States*, 449 U.S. 383, 66 L.Ed.2d 584, 101 S.Ct. 677, 682 (1981). See *EchoStar, supra* (“We recognize the privilege in order to promote full and frank communication between a client and his attorney so that the client can make well-informed legal decisions and conform his activities to the law.”). See also *Seagate, supra*; *American Standard, supra*; *Vardon Golf Co. v. Karsten Manufacturing Corp.*, 213 F.R.D. 528, 531 (N.D.Ill. 2003).

These benefits, however, come at a cost:

When the privilege shelters important knowledge, accuracy declines. Litigants may use secrecy to cover up machinations, to get around the law instead of complying with it. Secrecy is useful to the extent it facilitates the candor necessary to obtain legal advice. The privilege extends no further. *In re Feldberg*, 862 F.2d 622, 627 (7th Cir. 1988).

See also *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 522 (S.D.N.Y. 1992). In *Nishika, Ltd. v. Fuji Photo Film Co.*, 181 F.R.D. 465, 468 (D.Nev. 1998), the court, quoting *Pearse v. Pearse*, 1 DeG. & Son. 28-9, 16 L.J.Ch. 153 (1846), eloquently summarized these conflicting policies:

Truth, like all other good things, may be loved unwisely — may be pursued too keenly — may cost too much. And, surely the meanness and the mischief of prying into a man’s confidential consultations with his legal advisor, the general evil of infusing reserve and dissimulation, uneasiness, and suspicion and fear, into those communications which must take place, and which unless a condition of perfect security, must take place uselessly or worse, are too great a price to pay for the truth itself.

The attorney-client privilege protects all types of communications, whether written or oral, provided that the requirements to maintain the privilege have been met. *EchoStar, supra*, 448 F.3d at 1301; *Handgards, supra*.

PRACTICE POINTER

- ✓ To be subject to the attorney-client privilege and thus shielded from discovery, the communication
 1. must be confidential;
 2. must request legal advice; and
 3. must be made to a legal professional.
-

As a general rule, a communication is privileged if three primary factors are present: (1) the communication is or relates to a request for legal advice; (2) the communication is made to a professional legal adviser in his or her capacity as such for the purpose of obtaining legal advice; and (3) the communication is made in confidence. *See In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 805 (Fed.Cir. 2000) (“central inquiry is whether the communication is one that was made by a client to an attorney for the purpose of obtaining legal advice or services”); *Genentech, Inc. v. United States International Trade Commission*, 122 F.3d 1409, 1415 (Fed.Cir. 1997) (“The attorney-client privilege protects the confidentiality of communications between attorney and client made for the purpose of obtaining legal advice.”); *American Standard, supra* (privilege “protects communications made in confidence by clients to their lawyers for the purpose of obtaining legal advice”); *Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 534 (N.D.Ill. 2000) (“the question is: does the document in question reveal, directly or indirectly, the substance of a confidential attorney-client communication”).

Many cases and commentators have expanded this test into eight or more factors by subdividing these factors or adding other factors regarding the effect of the privilege, such as that the client controls the privilege. *See, e.g., Cavallaro v. United States*, 284 F.3d 236, 245 (1st Cir. 2002), in which the court, quoting 8 John Henry Wigmore, WIGMORE ON EVIDENCE §2292 (McNaughton rev. 1961), set out an eight-factor test:

(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived.

See also McCook Metals L.L.C. v. Alcoa Inc., 192 F.R.D. 242, 251 (N.D.Ill. 2000); *Radiant Burners, Inc. v. American Gas Ass’n*, 320 F.2d 314, 318 – 319 (7th Cir. 1963); *Smithkline, supra*; *Vardon Golf, supra*.

Regardless of the additional factors or the way in which they are subdivided, the three primary factors (with confidentiality being the most critical and problematic) must always be present before a communication can be privileged.

B. [4.3] Confidentiality Requirement

It is the communication with the lawyer that must be confidential, not the subject matter of the communication. Thus, a confidential communication with a lawyer about facts that are generally known (*e.g.*, the prior art) nevertheless meets the confidentiality requirement for privilege to apply. *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 388 – 390 (D.D.C. 1978).

The privilege historically has been applied to protect confidences that the client communicated to the lawyer (*i.e.*, client-to-lawyer communications):

Strictly speaking the privilege applies only to communications made by the client to the lawyer, but in practice it is generally impossible to separate those communications from the ones made by the attorney to the client, particularly when the attorney communications will reveal the substance of the ones made by the client that are privileged. *Ampicillin, supra*, 81 F.R.D. at 388 n.20.

The same cannot be said for lawyer-to-client communications, which may or may not be privileged. It is the client confidences that are central to the privilege, not the advice that the lawyer may render. Thus, legal advice that does not in itself disclose, directly or indirectly, the substance of the confidential communication by the client is not privileged. *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 745 (Fed.Cir. 1987); *Vardon Golf Co. v. Karsten Manufacturing Corp.*, 213 F.R.D. 528, 531 (N.D.Ill. 2003); *Ampicillin, supra*, 81 F.R.D. at 394. As discussed in §4.25 below, this rule can have significant effects on legal opinions that address the invalidity of a competitor's patents.

Similarly, the eight-part test from 8 John Henry Wigmore, WIGMORE ON EVIDENCE §2292 (McNaughton rev. 1961) (see §4.2 above), on its face would apply only to communications from the client to the lawyer and not to the advice that the lawyer rendered back to the client. Courts, however, have generally held that the advice rendered by the lawyer in response to a privileged communication is also protected, usually under the rationale that the advice expressly or inherently reflects the confidential communication from the client to the attorney. *See, e.g., Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 517 (S.D.N.Y. 1992).

C. [4.4] Facts and Business Advice Are Not Protected

The factor requiring that the communication be made to a lawyer in his or her capacity as a lawyer for the purpose of obtaining legal advice has given rise to the corollary rule that the attorney-client privilege does not protect business communications and advice. In particular, the privilege does not apply to the activities of in-house counsel when counsel is making business decisions or providing business advice. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 253 – 254 (N.D.Ill. 2000); *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 4 (N.D.Ill. 1980). *See also Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 538 (N.D.Ill. 2000) (agendas for meetings that were authored by lawyers did not implicate legal advice and thus were not privileged). Thus, the privilege would not apply to a business report that categorized and analyzed

the competitors and their patents in a particular industry. *McCook Metals, supra*. This corollary rule is significant to the manner in which corporate patent department communication and meetings are structured. See §§4.17 – 4.25 below.

The privilege protects communications seeking legal advice, not facts, from being discovered:

[T]he privilege should protect only the client’s communications to the attorney . . . and not facts or other Information contained in the communication. *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 389 (D.D.C. 1978).

The *Ampicillin* court elaborated on this point with the following example:

Thus, a status report on the corporation’s activities does not become immune from discovery merely because a copy is transmitted to counsel with no accompanying request for legal advice. Nor do minutes of meetings become privileged by the mere presence of counsel. 81 F.R.D. at 385 n.9.

Similarly, providing an otherwise non-privileged document to an attorney will not prevent the document from being discovered. *McCook Metals, supra*, 192 F.R.D. at 254 (letter from competitor forwarded to lawyer not privileged); *Sneider, supra* (“the courts will not permit the corporation to merely funnel papers through the attorney in order to assert the privilege”).

PRACTICE POINTER

- ✓ Things that are *not* protected by the attorney-client privilege and thus shielded from discovery include
 1. business documents in the lawyer’s possession;
 2. business advice;
 3. technical advice; and
 4. underlying facts.
-

The facts underlying a privileged communication, separate from the communication itself, also are not protected by the privilege and should always be discoverable. *Sneider, supra* (“the well established rule [is] that only the communications, not underlying facts, are privileged”). Thus, while the communications from an inventor to a patent lawyer for the purposes of drafting a patent application are protected, the underlying facts and data regarding the invention are not. The effect of the privilege is to indirectly block access to this kind of information by shielding the discussions between the lawyer and the inventor. It does not prevent full discovery of every fact, document, and test that the inventor knows or created in the course of developing the invention. *Advanced Cardiovascular Systems, Inc. v. C.R. Bard, Inc.*, 144 F.R.D. 372, 374 (N.D.Cal. 1992).

D. [4.5] Application of the Attorney-Client Privilege to Corporations

The application of the attorney-client privilege in the context of a corporate client is complex. *See generally Radiant Burners, Inc. v. American Gas Ass'n*, 320 F.2d 314 (7th Cir. 1963) (extending privilege to corporations and containing detailed and well-reasoned analysis of privilege law). The fact that corporate clients are inanimate, artificial entities that can communicate with their attorneys only through their agents makes it difficult to determine when the confidentiality requirement for privileged communications has been met — how many agents and employees may know about the lawyer communications before confidentiality is destroyed? Two approaches, the control group test and the subject matter test, have been developed to address this issue, both of which should be kept in mind when developing procedures and practices for a corporate patent department. Sections 4.6 and 4.7 below detail these two approaches. See also §§4.17 – 4.25 below, discussing typical patent department communications.

1. [4.6] The Control Group Test

The first and narrower approach is known as the “control group test.” To maintain the attorney-client privilege, this test requires that access to the communication be limited to personnel within the corporation who had authority to act on the legal advice rendered. If the communication or advice was disseminated beyond this “control group,” then the confidentiality requirement is not met, and the protection of the privilege is lost. *See In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377 (D.D.C. 1978) (discussing but not applying control group test); *City of Philadelphia v. Westinghouse Electric Corp.*, 210 F.Supp. 483 (E.D.Pa. 1962).

2. [4.7] The Subject Matter Test

The second, broader, and more widely accepted test is known as the “subject matter test.” *See Cuno, Inc. v. Pall Corp.*, 121 F.R.D. 198, 200 (E.D.N.Y. 1988). Under this test, in order for the communication to be privileged, the following must apply:

- a. The communication must have been made for the purpose of securing legal advice.
- b. The subject matter of the communication must have been within the scope of the employee’s duties.
- c. The communication should not have been disseminated beyond persons with a need to know the information. *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 385 (D.D.C. 1978) (discussing subject matter test but applying broader test). *See also Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1978) (en banc).

The subject matter test has also been called the “*Harper & Row* test,” based on *Harper & Row Publishers, Inc. v. Decker*, 423 F.2d 487 (7th Cir. 1970), *aff’d*, 91 S.Ct. 479 (1971). The Northern District of Illinois has succinctly articulated the subject matter test:

If the agent [of the corporate client] is in possession of information acquired in the ordinary course of business relating to the subject matter of his employment, and

the information is communicated confidentially to corporate counsel to assist him in giving legal advice to the corporation, then the communication is privileged. *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 3 (N.D.Ill. 1980), quoting *United States v. Upjohn Co.*, 600 F.2d 1223, 1226 (6th Cir. 1979), *rev'd*, 101 S.Ct. 677 (1981).

III. [4.8] WORK-PRODUCT IMMUNITY IN GENERAL

The work-product immunity doctrine is distinct from, and broader than, the attorney-client privilege. The work-product doctrine protects a lawyer's materials that were prepared in anticipation of litigation. *Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 539 – 540 (N.D.Ill. 2000); *Radiant Burners, Inc. v. American Gas Ass'n*, 320 F.2d 314, 323 (7th Cir. 1963) (noting that attorney work-product rule "is something separate and apart from the attorney-client privilege"). Thus, unlike the attorney-client privilege, the work-product doctrine can protect documents that do not necessarily relate to a communication with a client. Also, unlike the attorney-client privilege, the lawyer, in conjunction with the client, holds the work-product protection. See *Genentech, Inc. v. United States International Trade Commission*, 122 F.3d 1409, 1415 (Fed.Cir. 1997) ("The work product privilege protects the attorney's thought processes and legal recommendations." Quoting *Zenith Radio Corp. v. United States*, 764 F.2d 1577, 1580 (Fed.Cir. 1985)).

The work-product doctrine was first enunciated by the Supreme Court in *Hickman v. Taylor*, 329 U.S. 495, 91 L.Ed. 451, 67 S.Ct. 385, 393 – 394 (1947), in which the Court set forth the policy and rule for this doctrine:

Historically, a lawyer is an officer of the court and is bound to work for the advancement of justice while faithfully protecting the rightful interests of his clients. In performing his various duties, however, it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. . . . This work is reflected, of course, in interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible ways — aptly though roughly termed by the Circuit Court of Appeals in this case as the "work product of the lawyer." Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. An attorney's thoughts, heretofore inviolate, would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing.

The Court's warning about unfairness, sharp practices, and demoralization of the legal profession has come to fruition in patent litigation. As addressed in detail in §§4.9 and 4.32 – 4.38 below, the issue of waiver of attorney-client privilege and work-product immunity has become a significant, confusing, and costly subset of virtually every patent litigation.

The work-product doctrine was codified in 1970 by the addition of Federal Rule of Civil Procedure 26(b)(3). See *Vardon Golf Co. v. Karsten Manufacturing Corp.*, 213 F.R.D. 528, 533 – 534 (N.D.Ill. 2003). Rule 26(b)(3) provides:

Ordinarily, a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party’s attorney, consultant, surety, indemnitor, insurer, or agent). But, subject to Rule 26(b)(4), those materials may be discovered if:

(i) they are otherwise discoverable under Rule 26(b)(1); and

(ii) the party shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.

Unlike the attorney-client privilege, the work-product doctrine has been limited by some courts to apply only to documents. *In re EchoStar Communications Corp.*, 448 F.3d 1294, 1301 (Fed.Cir. 2006) (“[u]nlike the attorney-client privilege, which protects all communications whether written or oral, work-product immunity protects documents and tangible things”); *Akeva L.L.C. v. Mizuno Corp.*, 243 F.Supp.2d 418, 422 (M.D.N.C. 2003) (work-product immunity does not apply to oral communications). This distinction, however, finds no support in *Hickman* or Rule 26(b)(3) and at least for patent litigations was put to rest by the Federal Circuit, which stated in *In re Seagate Technology, LLC*, 497 F.3d 1360, 1376 (Fed.Cir. 2007): “We agree that work product protection remains available to ‘nontangible’ work product.”

PRACTICE POINTERS

- ✓ Work-product immunity protects materials prepared in anticipation of litigation. The anticipated litigation must be specific as to both the issue and the adversary. A general belief that litigation happens all the time is insufficient to form a basis for work-product protection.
 - ✓ Care should be taken when asserting the work-product immunity protection because the facts needed to establish that protection are very similar to the facts that create the duty to preserve documents. As such, a litigation hold should be in place at or around the date of the earliest document for which work-product protection is asserted.
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There must be an anticipation of litigation before the work-product doctrine will apply to protect communications. The mere fact that litigation arises, however, does not ensure that the work-product doctrine will apply to protect particular materials. The work-product doctrine protects neither materials developed in the ordinary course of business nor materials developed because there was some remote or unarticulable risk of litigation. Rather, to be protected by the work-product doctrine, the materials must be prepared with an eye toward a particular claim

against a particular opposing party. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 259 (N.D.Ill. 2000); *Sylgab Steel & Wire Corp. v. Imoco-Gateway Corp.*, 62 F.R.D. 454, 457 (N.D.Ill. 1974).

IV. [4.9] WAIVER

The general rule is that voluntary disclosure of privileged material constitutes waiver of the attorney-client privilege and the work-product doctrine as to the disclosed material, as well as all other communications on the same subject. *Genentech, Inc. v. United States International Trade Commission*, 122 F.3d 1409, 1415 (Fed.Cir. 1997) (“disclosure of confidential communications or attorney work product to a third party, such as an adversary in litigation, constitutes a waiver of privilege as to those items”). This rule is based on a fundamental sense of fair play, that is, one should not be allowed to rely on the privilege as both a sword and a shield. *W.R. Grace & Co.-Conn. v. Viskase Corp.*, 21 U.S.P.Q.2d (BNA) 1121 (N.D.Ill. 1991). The scope of the waiver based on a disclosure can vary from great to none, depending on the circumstance of the case and the judge’s predisposition.

PRACTICE POINTER

- ✓ Disclosure of a privileged communication waives the protection of the privilege as to communications on that subject matter.
-

Some courts have held that if the waiver of privilege was inadvertent and reasonable safeguards to protect the privilege were in place, no waiver takes place or the waiver is limited solely to the disclosed communication. *See Genentech, supra*, 122 F.3d at 1415, citing *Alldread v. City of Grenada*, 988 F.2d 1425, 1434 (5th Cir. 1993); *KL Group v. Case, Kay & Lynch*, 829 F.2d 909, 919 (9th Cir. 1987); *In re Sealed Case*, 877 F.2d 976, 980 (D.C.Cir. 1989); *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596, 611 (8th Cir. 1978) (en banc); *Transamerica Computer Co. v. International Business Machines Corp.*, 573 F.2d 646, 650 – 651 (9th Cir. 1978).

A series of courts have held that by raising the defense of equitable estoppel, the defendant waives attorney-client privilege as to the patent in suit. *Sig Swiss Industrial Co. v. Fres-Co System USA, Inc.*, 22 U.S.P.Q.2d (BNA) 1601 (E.D.Pa. 1992); *Dow Chemical Co. v. Atlantic Richfield Co.*, No. 83-CV-3763-DT, 1985 U.S. Dist. LEXIS 20480 (E.D.Mich. Apr. 23, 1985); *Metropolitan Wire Corp. v. Falcon Products, Inc.*, 528 F.Supp. 897, 903 – 904 (E.D.Pa. 1981). This rationale was expressly rejected in *International Rectifier Corp. v. IXYS Corp.*, 361 F.3d 1363, 1376 (Fed.Cir. 2004).

Waiver should not occur from a lawyer negotiating with an opponent and, in the course of those negotiations, taking legal and factual positions, provided that a specific privileged communication is not relied on or disclosed during the negotiations. *Sylgab Steel & Wire Corp. v. Imoco-Gateway Corp.*, 62 F.R.D. 454, 458 (N.D.Ill. 1974). Similarly, a party does not waive the attorney-client privilege or work-product protection simply by bringing suit. *Zenith Radio Corp. v. United States*, 764 F.2d 1577, 1580 (Fed.Cir. 1985).

An extrajudicial waiver may occur when statements are made in a press release or other public forum. For example, if the opinion of counsel is directly referenced in a press release, then the totality of this opinion will be waived. On the other hand, if a press release expresses a belief that is consistent with the confidential advice of a lawyer, the advice is not waived. The same rationale applies to pleading and papers filed with the court:

I hasten to emphasize, moreover, that the fact that a party takes a position in a pleading that is consistent with advice that party received in confidence from its attorney is irrelevant to waiver analysis. Waiver analysis focuses on the disclosure of the content of specific communications between counsel and client — and a pleading would not effect a waiver unless the pleading disclosed specific lawyer-client communications, even if the substance of the pleading tracked what a lawyer had confidentially advised the client. *Electro Scientific Industries, Inc. v. General Scanning, Inc.*, 175 F.R.D. 539, 543 (N.D.Cal. 1997).

Thus, stating in a press release, “We believe that we do not infringe and that the plaintiff’s patent is invalid,” should not give rise to any waiver of the attorney-client privilege or work-product. On the other hand, stating in a press release, “Our lawyers have advised us that we do not infringe and the patents are invalid,” may give rise to a waiver regarding the underlying lawyer’s advice. Moreover, the scope of this waiver will depend on whether the press release is relied on in the litigation by the party making it. If it is not being relied on (*i.e.*, it was an extrajudicial disclosure), then the scope of waiver will be very narrow. *Electro Scientific, supra*, 175 F.R.D. at 543 – 544. If the privileged communication is being relied on, the scope of waiver will be substantially broader. *See, e.g., Mosel Vitelic Corp. v. Micron Technology, Inc.*, 162 F.Supp.2d 307 (D.Del. 2000); *Novartis Pharmaceuticals Corp. v. Eon Labs Manufacturing, Inc.*, 206 F.R.D. 396 (D.Del. 2002); *Thorn EMI North America, Inc. v. Micron Technology, Inc.*, 837 F.Supp. 616 (D.Del. 1993).

V. CONTROLLING LAW AND STANDARDS

A. [4.10] Choice of Law

In general, choice-of-law questions regarding privilege and work product are governed by federal common law. Federal Rule of Evidence 501; *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 521 (S.D.N.Y. 1992) (noting that Rule 501 was intended not to freeze law of privilege but instead to let it evolve on case-by-case basis). The applicability of the privilege is a question of fact (*American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 744 (Fed.Cir. 1987)), and the scope of the privilege is a question of law (*Katz v. AT&T Corp.*, 191 F.R.D. 433, 436 (E.D.Pa. 2000), citing *In re Beville, Bresler & Schulman Asset Management Corp.*, 805 F.2d 120, 124 (3d Cir. 1896)).

With respect to attorney-client privilege and work-product immunity issues to the extent that they involve patent-related activities, Federal Circuit law is controlling. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803 – 804 (Fed.Cir. 2000) (noting that relevancy-based discovery disputes and privilege issues relating to patent prosecution documents were governed by Federal

Circuit law and not law of regional circuits). With respect to all other issues (*i.e.*, non-patent-related issues), the law of the regional circuits applies. *Spalding Sports, supra*, 203 F.3d at 804; *In re Regents of University of California*, 101 F.3d 1386, 1390 (Fed.Cir. 1996) (applying law of regional circuit (Seventh Circuit) to determine that privilege should be narrowly drawn); *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 251 (N.D.Ill. 2000).

B. [4.11] Burden of Proof

The burden of establishing that a communication is subject to the protection of the attorney-client privilege or the work-product immunity is always on the party asserting the protection. *Vardon Golf Co. v. Karsten Manufacturing Corp.*, 213 F.R.D. 528, 531 (N.D.Ill. 2003); *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 251, 258 (N.D.Ill. 2000). Because of the conflicting policies between full discovery and encouraging frank communications between lawyers and their clients, the scope of protection will be given its narrowest possible limits. *Cavallaro v. United States*, 284 F.3d 236, 245 (1st Cir. 2002); *McCook Metals, supra*, 192 F.R.D. at 251; *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 518 (S.D.N.Y. 1992); *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 384 (D.D.C. 1978). The burden to establish entitlement to the protection of the commonality of interest doctrine (see §§4.26 – 4.31 below) is also on the party seeking this protection.

C. [4.12] Appellate Review

Depending on the procedural context in which the privilege issues are raised, appellate review can be had by writ of mandamus or direct appeal of a discovery ruling. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 804 – 805 (Fed.Cir. 2000) (granting writ of mandamus to review order compelling production of privileged invention disclosure form); *In re Regents of University of California*, 101 F.3d 1386, 1387 – 1388 (Fed.Cir. 1996) (granting writ of mandamus to party ordered to produce privileged material); *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 738 – 739 (Fed.Cir. 1987) (direct appeal of denial of motion to compel production from third party). For a general discussion regarding appellate review of discovery orders, see *Truswal Systems Corp. v. Hydro-Air Engineering, Inc.*, 813 F.2d 1207, 1209 (Fed.Cir. 1987); *Heat & Control, Inc. v. Hester Industries, Inc.*, 785 F.2d 1017, 1022 (Fed.Cir. 1986).

VI. PATENT PROSECUTION

A. [4.13] In General

Historically, there have been two schools of thought about the applicability of the attorney-client privilege to the preparation of patent applications and the prosecution of those applications to obtain patents. The older and now widely discredited view found that the attorney-client privilege did not apply to patent attorneys and employees of patent departments because they were supposedly not engaged in legal work. This erroneous view was perhaps based on the courts' failure to understand the highly complicated nature of patent law and the technologies that form the underlying facts to which patent lawyers must apply these complex laws to render advice to their clients. See, *e.g.*, *Zenith Radio Corp. v. Radio Corporation of America*, 121

F.Supp. 792, 793 – 794 (D.Del. 1954). This rationale was rejected by the Supreme Court in *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 10 L.Ed.2d 428, 83 S.Ct. 1322, 1325 (1963), in which the Court expressly held that “the preparation and prosecution of patent applications for others constitutes the practice of law.” The *Sperry* Court further held:

Such conduct inevitably requires the practitioner to consider and advise his clients as to the patentability of their inventions under the statutory criteria . . . as well as to consider the advisability of relying upon alternative forms of protection which may be available under state law. It also involves his participation in the *drafting of the specification and claims of the patent application* . . . which this Court long ago noted “*constitute[s] one of the most difficult legal instruments to draw with accuracy.*” *Topliff v. Topliff*, 145 U.S. 156, [36 L.Ed. 658, 12 S.Ct. 825, 831 (1892)]. And upon rejection of the application, the practitioner may also assist in the preparation of amendments . . . which frequently requires written argument to establish the patentability of the claimed invention under the applicable rules of law and in light of the prior art. [Emphasis added.] [Citations omitted.] 83 S.Ct. at 1325.

In spite of this clear and unambiguous pronouncement by the Court, several lower courts nevertheless refused to apply the attorney-client privilege to patent prosecution-related matter under what has become known as the “conduit theory.” See *Jack Winter, Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D.Cal. 1970); *Jack Winter, Inc. v. Koratron Co.*, 54 F.R.D. 44 (N.D.Cal. 1971) (related case); *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 7 (N.D.Ill. 1980).

The conduit theory of the *Jack Winter* line of cases was expressly rejected by the court in *Knogo Corp. v. United States*, 213 U.S.P.Q. (BNA) 936 (Ct.Cl. 1980), and the line of decisions that followed. See *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 805 – 806 (Fed.Cir. 2000); *Rohm & Haas Co. v. Brotech Corp.*, 815 F.Supp. 793 (D.Del. 1993), *aff’d*, 19 F.3d 41 (Fed.Cir. 1994); *Hydraflow, Inc. v. Enidine Inc.*, 145 F.R.D. 626 (W.D.N.Y. 1993); *Fromson v. Anitec Printing Plates, Inc.*, 152 F.R.D. 2 (D.Mass. 1993); *Advanced Cardiovascular Systems, Inc. v. C.R. Bard, Inc.*, 144 F.R.D. 372 (N.D.Cal. 1992) (expressly rejecting this court’s earlier decision in *Jack Winter, supra*, 54 F.R.D. 44); *Cuno, Inc. v. Pall Corp.*, 121 F.R.D. 198 (E.D.N.Y. 1988); *Minnesota Mining & Manufacturing Co. v. Ampad Corp.*, 7 U.S.P.Q.2d (BNA) 1589 (D.Mass. 1987); *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. (BNA) 150 (W.D.Mo. 1985).

The debate over whether to apply the *Jack Winter* rationale or the *Knogo* rationale and over the unfairness that the *Jack Winter* line of cases imposed on clients was put to rest by the Federal Circuit when it adopted the rationale of the *Knogo* line of cases. *Spalding Sports, supra*, 203 F.3d at 805 – 806 (expressly rejecting *Jack Winter* conduit line of cases and holding that invention submission forms were protected under attorney-client privilege). Because Federal Circuit law controls regarding privilege issues as they relate to drafting and obtaining patents, the *Jack Winter* line of cases and rationale should be ended. See §4.10 above.

B. [4.14] Patent Agents

Patent law is unique in its use of patent agents. These individuals are not members of the bar of any state, yet they are authorized to practice law before the United States Patent and

Trademark Office. To be authorized to practice before the USPTO, one must pass the patent bar exam, which is administered by the USPTO. The only requirement to sit for the patent bar is a science undergraduate degree or equivalent experience in the industry. Although law school or a law degree is not required to sit for the patent bar, a thorough and in-depth knowledge of patent law is required. Over the years, the patent bar exam has become more difficult to pass than many state bar examinations.

Thus, a patent agent working in a corporate legal department or as an outside consultant must have a detailed and complete understanding of the patent laws and the rules of practice and procedure before the USPTO, which allows the patent agent to provide legal advice to clients about the strategies and options they have to obtain patent protection for their inventions:

The registered patent agent is required to have a full and working knowledge of the law of patents and is even regulated by the same standards, including the Code of Professional Responsibility, as are applied to attorneys in all courts. Thus, in appearance and fact, the registered patent agent stands on the same footing as an attorney in proceedings before the Patent Office. *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 393 (D.D.C. 1978).

Because patent agents generally are practicing law (*Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 10 L.Ed.2d 428, 83 S.Ct. 1322, 1325 (1963)) yet are not truly “lawyers,” they create unique and confusing issues regarding the attorney-client privilege and work-product immunity. The majority rule provides that the privilege applies to communications in which the patent agent is acting under the authority or control of a lawyer. *See, e.g., Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 518 – 519 (S.D.N.Y. 1992); *Gorman v. Polar Electro, Inc.*, 137 F.Supp.2d 223, 227 (E.D.N.Y. 2001); *Saxholm AS v. Dynal, Inc.*, 164 F.R.D. 331, 337 (E.D.N.Y. 1996); *Willemijn Houdstermaatschaap BV v. Apollo Computer Inc.*, 707 F.Supp. 1429 (D.Del. 1989); *Cuno, Inc. v. Pall Corp.*, 121 F.R.D. 198, 204 (E.D.N.Y. 1988). Other courts, however, have correctly extended the privilege to agents acting on their own and not under the authority or control of a lawyer. *Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 537 (N.D.Ill. 2000); *Dow Chemical Co. v. Atlantic Richfield Co.*, No. 83-CV-3763-DT, 1985 U.S. Dist. LEXIS 20480 (E.D.Mich. Apr. 23, 1985); *Ampicillin, supra*, 81 F.R.D. at 393 – 394; *Vernitron Medical Products, Inc. v. Baxter Laboratories, Inc.*, 186 U.S.P.Q. (BNA) 324 (D.N.J. 1975). *See generally* David Hricik, *Patent Agents: The Person You Are*, 20 Geo.J. Legal Ethics 261, 282 – 283 (2007) (noting that split of authority still exists and arguing that agents should be subject to privilege). Thus, it is prudent when using patent agents to always have them working under the authority or control of a lawyer.

Because a patent agent cannot litigate (*i.e.*, represent a client in federal court), the work-product doctrine would not apply to the agent unless the agent were somehow performing a task at the direction of the lawyer and thus his or her activities were the lawyer’s work product. *Dow Chemical, supra*. Some courts however, have found that work-product protection applies to proceedings before the Board of Patent Appeals and Interferences, as well as reexamination and reissue proceedings. These are quasi-adversarial proceedings between the patent examiner and the inventor. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 260 – 262 (N.D.Ill. 2000). Patent agents can represent clients in these proceedings. The courts, however, did not address the issue

of whether a patent agent acting alone would be entitled to work-product protection. Although no rational basis exists for precluding patent agents from this protection since they are performing the exact same tasks and functions that a lawyer would in the same proceeding, it is unclear how the courts will treat these issues. Thus, to make certain that work-product protection is available to these quasi-adversarial proceedings before the USPTO, an agent's work should be under the authority or control of a lawyer.

C. [4.15] Foreign Patent Prosecution

In addition to seeking patent protection in the United States, companies and inventors may seek protection in foreign countries. The use of nonlawyer specialists, who are similar in status to patent agents in the United States, is more common in foreign countries. Determining privilege issues in these settings can become very complex, involving choice-of-law issues and analysis of foreign law.

If a United States firm is used to prosecute the foreign patent application, then the privilege applies to the same extent that it applies to U.S. prosecution activities. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 256 (N.D.Ill. 2000). If, however, patent agents of a particular country are used, then a test similar to the one applied to U.S. patent agents has been applied by the courts. Thus, the privilege may extend to communications with foreign patent agents related to foreign patent activities if the privilege would apply under the law of the foreign country and this law is not contrary to the law of the U.S. forum. *Id.* If the foreign patent agent was functioning as an agent for the attorney, the communication is privileged to the same extent as any communication between an attorney and a nonlawyer working under the lawyer's supervision. Thus, if the foreign patent agent is engaged in the lawyering process, the communication is privileged to the same extent as any communication between cocounsel. *Id.*; *Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 535 (N.D.Ill. 2000); *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 143 F.R.D. 611, 616 (E.D.N.C. 1992).

As in all cases of privilege, the burden of establishing the privilege is on the party asserting it. *McCook Metals, supra*, 192 F.R.D. at 258. See §4.11 above. In cases in which communications with a foreign agent or attorney are made regarding a United States patent, the law of the United States, not the foreign jurisdiction, should be applied. "Because the United States has a strong interest in regulating activities that involve its own patent laws, all communications relating to patent activities in the United States will be governed by the American rule." *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 391 (D.D.C. 1978).

Thus, the privilege has been extended to protect communications between in-house U.S. lawyers and French attorneys and agents and German attorneys and agents. *McCook Metals, supra*, 192 F.R.D. at 257 – 258. The privilege has also been extended to protect communications between U.S. clients and British patent agents. *Smithkline Beecham, supra*, 193 F.R.D. at 535 – 536 (acknowledging that since 1968 United Kingdom law has recognized privilege in communications with patent agents); *Ampicillin, supra*, 81 F.R.D. at 392. The privilege has also been extended to protect communications between an Italian corporation and its patent agents in Norway, Germany, and Israel. *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 523 – 524 (S.D.N.Y. 1992).

D. [4.16] Work-Product Protection for Patent Prosecution Activities

The preparation and prosecution of patent applications generally has not been held to be in anticipation of litigation because they are ex parte administrative acts that are too far removed from any specific anticipated litigation. As such, work-product protection would not apply to shield these communications from discovery. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 260 (N.D.Ill. 2000); *Oak Industries v. Zenith Electronics*, 687 F.Supp. 369, 374 (N.D.Ill. 1988).

Some proceedings before the United States Patent and Trademark Office, however, are quasi-adversarial and may be viewed as giving rise to a particularized threat of litigation. Thus, work-product protection has been extended to materials prepared in anticipation of reexamination proceedings, interferences, and appeals before the Board of Patent Appeals and Interferences. *McCook Metals, supra*, 192 F.R.D. at 262.

VII. [4.17] TYPICAL PATENT DEPARTMENT COMMUNICATIONS

There are several types of documents that are typically created during the process of preparing and prosecuting patent applications and in commercializing new technologies. See §§4.18 – 4.25 below. If a corporate in-house patent department is set up properly, these documents should be subject to the protection of the attorney-client privilege.

PRACTICE POINTER

- ✓ Typical patent department documents may be protected under the attorney-client privilege provided they independently meet the requirements of the privilege.
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A. [4.18] Invention Submission Forms

Invention submission forms are usually filled out by inventors for the purpose of conveying information about their invention to a patent department. They are typically used for the purposes of making patentability, inventorship, and prior art determinations by the patent department. If the requisite confidentiality is present, they should be privileged. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 804 – 806 (Fed.Cir. 2000). Although it is not necessary to expressly request confidential legal assistance in a document to obtain the protection of the privilege (*Spalding Sports*, 203 F.3d at 806), it is nevertheless prudent to set up forms and documents so that they expressly reflect their privileged nature and purpose.

Additionally, invention submission forms should not contain information or references to business decisions or issues. If a document is seen as reflecting principally a business decision (e.g., “do we want to spend money on this invention” or “how does this invention fit into our product mix”), it will not be privileged. For example, in *W.R. Grace & Co.-Conn. v. Viskase Corp.*, 21 U.S.P.Q.2d (BNA) 1121 (N.D.Ill. 1991), the court found that some invention submissions forms were protected while others were not. This holding was based on the failure of proofs on the part of the party asserting the privilege.

B. [4.19] Draft Patent Applications

Like any other legal document, patent applications are usually prepared in an iterative process between the lawyer and the inventor. The drafts compiled in this process necessarily reflect the communications between the inventor and the lawyer as the lawyer attempts to put forth the invention in the best light possible to protect the inventor's legal rights. A draft patent application is no different than a draft of a contract. Internal drafts between a lawyer and client are privileged. Draft disclosures to the other party are not. Similarly, internal drafts of patent documents would be privileged while papers filed with United States Patent and Trademark Office are not.

Thus, a draft patent application implicitly reflects both confidential communications from a client seeking legal advice and the advice that is provided in response to those communications, and as such it should be privileged. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 253 (N.D.Ill. 2000). For cases that improperly found that draft applications were not privileged, see the discussion of the line of cases following *Jack Winter, Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D.Cal. 1970), and the related case *Jack Winter, Inc. v. Koratron Co.*, 54 F.R.D. 44 (N.D.Cal. 1971), in §4.13 above.

C. [4.20] Inventor Signoff Forms

Patent departments typically have inventors sign inventor signoff forms around the time that the patent application is filed. These forms are used to reinforce the inventor's legal obligation to disclose the best mode of practicing the invention and to disclose all pertinent prior art. In general, they are not disclosed to the United States Patent and Trademark Office. They also can be used to confirm the prior art status of any activity relating to the invention. If the requisite confidentiality is present, they should be privileged. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 253 (N.D.Ill. 2000). Care should be taken with these and all forms because they could be viewed as providing only legal advice void of any client confidences, which would render them non-privileged. See §4.2 above.

D. [4.21] Internal Patent Department Checklists

Frequently, patent departments have various checklists that lawyers go through at the time of filing a patent application and at the time a patent application issues as a patent. These checklists document the various legal issues that surround these events and the advice, based on the communications received from the inventor, that the lawyer has provided. In general, they are not disclosed to the United States Patent and Trademark Office. If kept confidential, they should be protected by the privilege. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 253 (N.D.Ill. 2000). As with the inventor signoff forms discussed in §4.20 above, care should be taken with these and all forms because they could be viewed as providing only legal advice void of any client confidence, which would render them non-privileged.

E. [4.22] Attorney Notes

By their very nature, a lawyer's notes reflect the confidential communications that were made to the lawyer and the advice that the lawyer provided. They should be protected by the privilege. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 254 (N.D.Ill. 2000). Notes written by a

corporate manager discussing legal advice that was rendered to the manager also should be privileged even though the lawyer did not write the notes. *Illinois Tool Works, Inc. v. KL Spring & Stamping Corp.*, 207 U.S.P.Q. (BNA) 806 (N.D.Ill. 1980). Notes from an inventor to an attorney summarizing the prior art are also privileged. *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. (BNA) 150 (W.D.Mo. 1985).

F. [4.23] Invention Review Committees

Documents generated by invention review committees have various names; however, they are all typically the same and involve the process of reviewing invention submission forms to determine whether a patent application should be filed. These committees and their minutes are usually under the direction of a lawyer, but there may also be business and technical people involved. Care should be taken to make sure that the committees and their minutes or reports stay on the legal side of the equation and do not cross over into the non-privileged business advice area. *Cuno, Inc. v. Pall Corp.*, 121 F.R.D. 198, 203 – 204 (E.D.N.Y. 1988) (addressing each document individually and holding that majority of documents reflected business rather than legal advice and thus were not privileged). See §4.4 above. The communications surrounding these committees, if properly set up and documented, are typically (although not always) protected as privileged. The key to maintaining protection of the privilege is to properly establish the committee, its purpose, and its reporting mechanisms in the first place.

G. [4.24] Draft Agreements

Provided that the confidentiality requirement is present, draft agreements should be privileged. Internal working drafts of agreements that are shared between business people and a lawyer implicitly, if not expressly, reflect confidential requests for legal advice, as well as the advice that was rendered based on those requests, and should be privileged. *McCook Metals L.L.C. v. Alcoa Inc.*, 192 F.R.D. 242, 255 (N.D.Ill. 2000). On the other hand, drafts of agreements that are exchanged between negotiating parties do not have the requisite confidentiality and should not be protected by the privilege.

H. [4.25] Invalidity Opinions and Non-Infringement

To avoid a finding of willful infringement and the potential for an award of increased damages, a party should seek and obtain the opinion of outside patent counsel that the party does not infringe a patent or that the patent of concern is invalid. See §4.32 below. In general, these opinions will be protected by attorney-client privilege, provided all elements to maintain the privilege are present.

If an invalidity opinion, however, is based solely on publicly available, nonconfidential information, it is not privileged. In this situation, the legal advice that the patent is invalid does not disclose either directly or indirectly the substance of a confidential communication by a client, and the key element for privilege is absent. On the other hand, if the invalidity opinion reveals client confidences, either directly or indirectly, it will be privileged provided the other requirements of the privilege are met. *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 745 – 746 (Fed.Cir. 1987). Moreover, the mere fact that the opinion is also based on publicly available

information, such as United States Patent and Trademark Office records and prior art, will not preclude the privilege from applying:

The view that in-house and outside patent counsels' patent-validity opinions are never protected by the attorney-client privilege, expressed in [*United States v. United Shoe Machinery Corp.*], 89 F.Supp. 357, 87 USPQ 5 (D.Mass. 1950) and *American Cyanamid Co. v. Hercules Powder Co.*, 211 F.Supp. 85, 135 USPQ 235 (D.Del. 1962), was dealt a fatal blow by the Supreme Court in *Sperry v. Florida* [*ex rel. Florida Bar*], 373 U.S. 379, 10 L.Ed.2d 428, 83 S.Ct. 1322 (1963), and was administered the coup de grace by our predecessor, the Court of Claims, in *Ledex, Inc. v. United States*, 172 USPQ 538, 539 (Ct.Cl. 1972). The current weight of authority, see *In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 390, 202 USPQ 134, 143 (D.D.C. 1978); *Nestle Co. v. A. Cherney & Sons, Inc.*, 207 USPQ 930, 933 (D.Md. 1980), to which we would add our own, recognizes that counsel's opinions on patent validity are not denied the client's privilege protection merely because validity must be evaluated against publicly available information. *American Standard, supra*.

VIII. [4.26] COMMONALITY OF INTEREST DOCTRINE

The “commonality of interest” doctrine is an exception to the confidentiality requirement of the attorney-client privilege. The commonality of interest doctrine prevents the privilege from being waived when a privileged communication is shared with a third party who is within the commonality of interest group. The doctrine has also been known as the “joint defense,” “joint client,” and “allied lawyer” doctrine. When parties have commonly aligned business and legal interests, this doctrine permits communications between each of the clients and their lawyers to take place without losing or waiving the privilege. *In re Regents of University of California*, 101 F.3d 1386, 1390 (Fed.Cir. 1996) (holding that regional circuit law applied to commonality of interest issue). The doctrine has the potential to be applicable in several factual scenarios.

The doctrine does not, however, provide an independent basis for claiming privilege. Thus, the communication at issue must still meet all the requirements of privilege in the first place. *Cavallaro v. United States*, 284 F.3d 236 (1st Cir. 2002); *Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 539 (N.D.Ill. 2000) (“The [commonality of interest] doctrine, however, is not a privilege in and of itself; it is merely an exception to the waiver of attorney-client privilege.”).

PRACTICE POINTER

- ✓ To protect the exchange of privileged communications between third parties, the commonality of interest doctrine requires that the parties have commonly aligned business and legal issues.
-

A. [4.27] Multiple Accused Infringers

The commonality of interest doctrine finds applicability in the situations in which several parties are accused of infringing the same patent. These parties' legal interests are typically aligned. Their business interests, however, may not be as clearly aligned as would seem on first inspection to be the case. In this situation, it is quite likely that the multiple defendants are competitors and their products and non-infringement defenses may be quite different. Thus, the first defendant, who has a very strong non-infringement defense, may actually benefit if the second defendant, its biggest competitor, is found liable for infringement and subjected to substantial damages liability. While these potentially divergent interests should not normally prevent the parties from relying on the commonality of interest doctrine to protect the attorney-client privilege, they do raise other issues. For example, in this situation, serious antitrust issues are present because the commonality of interest agreement has the potential to be a horizontal agreement between competitors that affects price and thus is per se illegal. See §3.12 of this handbook.

B. [4.28] Manufacturer-Buyer

The commonality of interest doctrine can find applicability in situations between the manufacturer of an accused infringing product and its customers. In this context, the issues can become quite complex because, if the customer is accused of direct infringement and the manufacturer is accused of contributory infringement, their legal and business interests may not be entirely aligned. Nevertheless, for the purpose of the initial dispute with the patentee, they are mutually aligned. In this situation, care should be taken to make sure that the commonality of interest agreement does not prejudice or unnecessarily bind the manufacturer, who may face substantially less risk than the customer.

C. [4.29] Indemnitor-Indemnitee

The commonality of interest doctrine finds applicability in the situation between an indemnitor and an indemnitee. This situation is different from the manufacturer-buyer situation discussed in §4.28 above because there is a contractual obligation between the parties for the indemnitor to share at least some of the risk that the indemnitee faces from the infringement accusations. In this case, there is less risk that the commonality of interest agreement will increase the indemnitor's obligations to the indemnitee.

D. [4.30] Licensor-Licensee

In the context of an exclusive licensing arrangement, the business and legal interests of the licensor and licensee are sufficiently aligned that the commonality of interest doctrine typically should apply to them. The Federal Circuit has found that a relationship between the patentee and a nonexclusive licensee with an option to take an exclusive license meets the requirements for the commonality of interest doctrine to apply. *In re Regents of University of California*, 101 F.3d 1386, 1389 – 1391 (Fed.Cir. 1996). Thus, in *Regents*, the Federal Circuit upheld the applicability of the privilege to communications between these parties and their lawyers regarding the prosecution of patent applications that were the subject of the license-option agreement.

E. [4.31] Mergers and Acquisitions

The commonality of interest doctrine can also find applications in the merger, acquisition, and financing setting. This setting, however, makes it more difficult to find applicability because arguably the parties in the merger negotiations or in the financing discussions are adverse to each other until such time as the deal is closed. In general, great care should be taken to protect the attorney-client privilege until after the deal has closed because up until this point it may very well be determined that the two parties' business and legal interests are not sufficiently aligned for the commonality of interest doctrine to apply, regardless of what the parties may have otherwise agreed to or believed.

IX. RELIANCE ON OPINION OF COUNSEL AND WAIVER

A. [4.32] Willfulness, Good Faith, and Objective Recklessness

In patent litigation, an infringer can be subject to punitive damages if the infringement is found to be willful. 35 U.S.C. §271. Punitive damages for willful infringement can be up to three times actual damages. 35 U.S.C. §284. Until recently, to avoid a finding of willful infringement, an accused infringer had to have a good-faith belief that it did not infringe or that the patent was invalid. Although it was not an absolute, obtaining an opinion from outside counsel that there was no infringement or that the patent was invalid was vitally important to establishing the requisite good faith to avoid willful infringement.

Thus, until recently, to avoid a finding of willful infringement, a defendant was required to rely on counsel's opinion at trial. This reliance, however, destroyed the confidentiality of the communication and thus waived the privilege. See §4.9 above. Thus, a defendant was faced with the Hobson's choice of risking treble damages or waiving attorney-client privilege. This conundrum was acknowledged by the Northern District of Illinois:

[I]n patent cases, the waiver rule creates a cruel dilemma for one accused of willful infringement. While reliance on advice of counsel is not necessary per se to defend the suit, it is, as a practical matter, absolutely essential to the good faith defense [to willful infringement]. Thus the choice is between a complete surrender of the privilege or a complete sacrifice of the defense. *Abbott Laboratories v. Baxter Travenol Laboratories, Inc.*, 676 F.Supp. 831, 832 – 833 (N.D.Ill. 1987).

In three recent cases, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed.Cir. 2004), *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed.Cir. 2006), and *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir. 2007), the Federal Circuit substantially rewrote the law of willful infringement. In these cases, the Federal Circuit eliminated the majority of inequities that had developed over the last 20 years in the area of willful infringement. See §§4.33 – 4.38 below.

B. [4.33] *Knorr-Bremse*

The Federal Circuit in its en banc decision in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed.Cir. 2004), addressed the interplay between willfulness, the need to obtain an opinion of counsel, and the decision to rely on such an opinion at trial. The *Knorr-Bremse* court in general noted that “[f]undamental to determination of willful infringement is the duty to act in accordance with the law.” 383 F.3d at 1343.

The *Knorr-Bremse* court then went on to maintain the affirmative duty of good care that arises upon knowledge of a patent — “‘where as, here, a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing,’ including, ‘the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity.’” *Id.*, quoting *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 – 1390 (Fed.Cir. 1993). The *Knorr-Bremse* court also reaffirmed the nine factors for a willfulness determination that were set out in *Read Corp v. Portec, Inc.*, 970 F.2d 816, 826 – 827 (Fed.Cir. 1992), and *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed.Cir. 1986):

1. whether there was a good-faith belief on the part of the infringer that the patent was not infringed or was invalid;
2. whether the questions of validity and infringement were a close call;
3. the infringer’s litigation conduct;
4. whether the infringer intentionally copied the patented invention;
5. the infringer’s size and financial condition;
6. the duration of the infringement;
7. whether the infringer took any remedial actions;
8. whether the infringer was motivated to harm the patentee; and
9. whether the infringer attempted to conceal its infringement. 383 F.3d at 1342 – 1343.

As addressed in §4.38 below, the affirmative duty to exercise due care and to seek opinion of counsel was ultimately done away with by the Federal Circuit in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir. 2007). Nevertheless, the Federal Circuit in *Knorr-Bremse* answered key questions regarding willfulness and privilege issues. See §§4.34 – 4.36 below.

CASE HIGHLIGHTS

- ✓ *Knorr-Bremse* — back to the future:
1. Created new options.
 2. Created new risks.
 3. Unclear if options are worth the risks — client decides.
 4. Did away with presumptions
 - a. of willfulness for asserting the attorney-client privilege; and
 - b. of willfulness for failing to seek the advice of counsel.
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1. [4.34] No Presumption of Willfulness for Asserting the Attorney-Client Privilege

The court in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed.Cir. 2004), held:

When the attorney-client privilege and/or work-product privilege is invoked by a defendant in an infringement suit, is it appropriate for the trier of fact to draw an adverse inference with respect to willful infringement?

The answer is “no.” Although the duty to respect the law is undiminished, no adverse inference shall arise from invocation of the attorney-client privilege and/or work-product privilege.

The removal of this presumption created new options. Prior to *Knorr-Bremse*, companies were faced with a very difficult decision. The very act of seeking legal advice would give rise to an adverse inference, unless they waived their attorney-client privilege. Thus, prior to *Knorr-Bremse*, the decision to seek advice of counsel was inextricably linked with the decision to waive privilege.

2. [4.35] No Presumption of Willfulness for Failing To Seek the Advice of Counsel

Although maintaining, for the time being, the affirmative duty of due care, *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed.Cir. 2004), also did away with the presumption that if a potential infringer did not seek legal advice, then its infringement was willful. Specifically, the court held:

When the defendant had not obtained legal advice, is it appropriate to draw an adverse inference with respect to willful infringement?

The answer, again, is “no.” The issue here is not of privilege, but whether there is a legal duty upon a potential infringer to consult with counsel, such that failure to do so will provide an inference or evidentiary presumption that such opinion would have been negative.

Although there continues to be “an affirmative duty of due care to avoid infringement of the known patent rights of others,” . . . the failure to obtain an exculpatory opinion of counsel shall no longer provide an adverse inference or evidentiary presumption that such an opinion would have been unfavorable. 383 F.3d at 1345 – 1346, quoting *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1127 (Fed.Cir. 1993).

The removal of this presumption created potentially the most alluring risk. Companies could simply forgo seeking the advice of outside counsel, because the failure to do so no longer created a presumption of willfulness. As noted by the Federal Circuit, large corporations can spend millions of dollars annually in legal fees to obtain opinions. *Id.* Thus, the removal of this presumption changed the cost-benefit analysis as to whether opinions of outside counsel should be obtained.

However, *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir. 2007), discussed in §4.38 below, the risk for not obtaining an opinion from outside counsel has been greatly reduced, to the point where such costly opinions should no longer be needed in most circumstances.

3. [4.36] No Presumption of Willfulness in a Close Case

In *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed.Cir. 2004), the Federal Circuit was also asked to create a presumption that there was no willful infringement if the accused infringer put on a strong defense. The court declined to adopt this presumption, holding:

Should the existence of a substantial defense to infringement be sufficient to defeat liability for willful infringement even if no legal advice has been secured?

The answer is “no.” Precedent includes this factor with others to be considered among the totality of circumstances. . . . We deem this approach preferable to abstracting any factor for per se treatment, for this greater flexibility enables the trier of fact to fit the decision to all of the circumstances. 383 F.3d at 1346.

The court’s refusal to adopt this presumption left the law of willfulness fully open to a factual balancing test. While this may have been more equitable, it left companies with a high level of uncertainty. This uncertainty, however, was short lived. In *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir. 2007), the court adopted a new standard for willfulness that from all practical purposes changed the court’s answer to the above question from a “no” to a “yes.” See §4.38 below. Moreover, the only tool available to clients to reduce this uncertainty is to obtain and follow a competent opinion of counsel.

C. [4.37] *EchoStar*

About a year and a half after *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed.Cir. 2004), the Federal Circuit decided *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed.Cir. 2006). In that decision the court focused on the scope and effect of the waiver that occurs if a party relies on the advice of counsel to defend a charge of willful infringement. The *EchoStar* court addressed the scope of waiver in the context of three types of documents and based its opinion primarily on the work-product immunity doctrine.

The first type of documents involved “documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter.” 448 F.3d at 1302. The court found that the privilege with these types of documents was always waived.

The second type of documents involved “documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney’s mental impressions but were *not given* to the client.” [Emphasis added.] *Id.* The court found that this “category of work product, which is never communicated to the client, is not discoverable” and stated that “this so-called opinion work product deserves the highest protection from disclosure.” 448 F.3d at 1303.

The third type of documents involved “documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client.” 448 F.3d at 1302. These would be the things in the lawyer’s file that “reference and/or describe a communication between the attorney and client, but were not themselves actually communicated to the client.” 448 F.3d at 1304. The court found the privilege regarding such documents is waived. However, the waiver is only to the extent it aids in determining what was communicated to the client and when. Pure non-communicated opinion work product would still be protected and could be redacted from the documents prior to production. *Id.*

CASE HIGHLIGHTS

- ✓ *EchoStar* — defines the scope of waiver:
 1. Documents that are communications between the attorney and the client — waived.
 2. Documents that reflect the attorney’s mental impressions but were not given to the client — not waived.
 3. Documents discussing a communication between attorney and client but that were not given to the client — limited waiver.
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D. [4.38] *Seagate*

About a year and a half after *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed.Cir. 2006), the Federal Circuit decided *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed.Cir. 2007) (en banc). In that decision the court addressed the affirmative duty of care, did away with that standard, and set up a new two-fold test based on a threshold showing of objective recklessness and then a subjective inquiry into good faith. The court held:

Accordingly we overrule the standard set out in [*Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed.Cir. 1983) (requiring an affirmative duty of due care)] and hold that proof of willful infringement permitting enhanced damages requires at least a showing of *objective recklessness*. Because we abandon the affirmative duty of due care, we also reemphasize that there is no affirmative obligation to obtain opinion of counsel.

Accordingly, to establish willful infringement, a patentee must show by *clear and convincing evidence* that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. . . . The *state of mind* of the accused infringer is *not relevant to this objective inquiry*. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (*determined by the record developed in the infringement proceeding*) was either known or so obvious that it should have been known to the accused infringer. [Emphasis added.] [Citations omitted.] 497 F.3d at 1371.

The court went on to articulate how this new test will play out regarding activity occurring after the filing of the lawsuit:

However, when a complaint is filed, a patentee must have a good faith basis for alleging willful infringement. . . . So a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer's pre-filing conduct. By contrast, when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. . . . A patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct. Similarly, if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness. [Citations omitted.] 497 F.3d at 1374.

The *Seagate* court additionally addressed the scope of waiver, stating:

In sum, we hold, as a general proposition, that asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel. We do not purport to set out an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery. 497 F.3d at 1374 – 1375.

CASE HIGHLIGHTS

- ✓ *Seagate* — the new standard for willfulness:
1. No affirmative duty of due care.
 2. Threshold objective recklessness standard.
 3. If threshold is met, then look to subjective good faith.
 4. Trial counsel privilege ordinarily is not waived.
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