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DOES THE ATTORNEY-CLIENT PRIVILEGE EXTEND TO PATENT ATTORNEYS?

By Sheldon Mak Rose & Anderson

Assume you are a patent attorney. Your client gives you confidential technical data that you disclose to the Patent and Trademark Office in the normal course of your client's patent application. While the patent is pending, your client is sued and discovery sought of this confidential data. Must you produce this data, or is it protected by the attorney-client privilege? If you are a patent agent rather than an attorney, is the answer the same?

The Attorney-Client Privilege

The attorney-client privilege, which is grounded in common law, protects from discovery any confidential communication between an attorney and client which is made for the purpose of obtaining legal assistance. The purpose behind this privilege is to encourage full and frank communications between attorneys and their clients.

Does the Privilege Extend to Patent Attorneys?

Patent attorneys were at one time held to be outside the protection of the attorney-client privilege. Forty years ago, the definition of the attorney-client privilege established by *United States v. United Shoe Machinery Corporation*, 89 F.Supp. 357 (D. Mass. 1950) effectively excluded patent attorneys. The court held that while documents prepared by independent counsel or in-house counsel might be protected by the attorney-client privilege, documents prepared by attorneys in defendant's patent department fell outside the privilege unless their communications were with independent or in-house counsel. The court noted that many of defendant's patent "attorneys" had never passed the state bar exam, and were "mere solicitors of patents who fall outside the privilege."

The court also found that patent attorneys did not act as legal advisors in the same way that other attorneys do, as they dealt more with business issues than legal issues. According to the *United Shoe* court, the relationship between an in-house patent attorney and his employer-corporation "is not that of attorney and client," and therefore, communication between them was not covered by the attorney-client privilege.

Fortunately for patent attorneys, the United States Supreme Court rejected the *United Shoe* approach in 1963. In *Sperry v. Florida*, 373 U.S. 379 (1963), a case not directly involving privilege, the Court characterized patent attorneys' work as legal work. This opened the door for allowing communications and documents generated by in-house patent attorneys to come within the attorney-client privilege.

The *Sperry* Court found that patent attorneys draw on a large range of legal skills, including advising clients on the patentability of their inventions under statutory criteria, advising clients on alternative forms of protection available, and drafting patent claims. The court noted that a patent is "one of the most difficult legal instruments to draw with accuracy," and that, on rejection, patent attorneys must prepare arguments to establish patentability under applicable rules of law. The modern approach draws on the reasoning of *Sperry* and gives to patent attorneys the same protection under the attorney-client privilege as received by any other specialized attorney. However, the attorney must be acting as a lawyer, not as a businessman or business negotiator.

Technical Information

It is an open question whether technical information contained in client communications relating to preparation and prosecution of patent applications is covered by the attorney-client privilege. The United States courts are divided, and the Federal Circuit has not yet ruled on this issue.

One theory indicates that the attorney is a mere "conduit" between the Patent and Trademark Office and the client for communication of the technical information. *Jack Winter Inc. v. Koratron Co. Inc.*, 116 U.S.P.Q. 395 (N.D. Cal. 1970). Under this theory, the attorney-client privilege is not available for documents given to or prepared by the patent attorney which contain technical material.

Recent cases have criticized this view, and permit documents containing technical information to be privileged. As stated in *Knogo Corp. v. United States*, 213 U.S.P.Q. 936 (Ct. Cl. 1980), this "conduit" interpretation of Jack Winter "rests upon an oversimplification of the role performed by the patent attorney during the patent process. The attorney is not a mere conduit... The reality of the cooperative effort put forth by the inventor and the attorney is far different from the Jack Winter portrayal."

Taking this approach, the court in *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. 150 (W.D. Mo. 1985) upheld the attorney-client privilege for a letter in which the inventor compared his invention to a prior art patent. The court held that the technical information contained in the letter was protected from discovery because it was intended to be a confidential communication between the inventor and his attorney and was written for the purpose of obtaining legal advice.

U.S. and Foreign Patent Agents

United States courts are similarly divided as to whether the attorney-client privilege applies to communications between patent agents and their clients. Patent agents are licensed to practice in front of the Patent and Trademark Office but are not licensed to practice law in any state. Some courts hold that since patent agents are not lawyers, the attorney-client privilege cannot be extended to them. But another view is that the privilege should be available to U.S. patent agents so as not to frustrate the congressional intent of allowing for registration of both patent agents and patent attorneys. In *Re Ampicillin Antitrust Litigation*, 81 F.R.D. 377 (D.D.C. 1978).

Some courts will also permit the attorney-client privilege to apply to foreign patent agents under specific conditions. The foreign patent agent must (1) be registered to practice before his or her foreign patent office; and (2) perform substantive legal analysis in the communication with the U.S. attorney, i.e. do more than merely convey technical information. *Mendenhall V. Barber-Greene Co.*, 531 F. Supp. 931 (N.D. Ill. 1982). However, other courts will not extend the privilege to foreign patent agents unless the agent is also an attorney or is acting under the direction of an attorney. *Status Time Corp. v. Sharp Electronics Corp.*, 217 U.S.P.Q. 438 (S.D.N.Y. 1982).

Waiver

The attorney-client privilege can be waived, either by the attorney or by the client. A waiver can be express (by knowingly and voluntarily giving privileged documents to another, e.g. pursuant to a discovery request), or implied (by inadvertently disclosing privileged information).

An express waiver may arise from a client expressly asserting reliance upon advice of counsel as a defense in a patent infringement action. Generally, once a client waives the attorney-client privilege with regards to a particular subject, all attorney-client communications in that area are open to discovery. The underlying rationale of the waiver rule is fairness -- a party cannot disclose only those facts which are beneficial to its case and then use the attorney-client privilege to refuse to disclose related facts which are adverse to its position.

Since patent litigation frequently involves large numbers of documents, an implied waiver occurring through inadvertent disclosure during discovery can be a substantial risk. Some courts will preserve the attorney-client privilege where documents are disclosed through attorney negligence and the client is blameless, but not all courts are so forgiving. Thus, the only sure way to preserve the privilege is to guard against inadvertent disclosure.

Opinion Letters

The patent attorney should be aware that opinion letters to clients can be the source of an implied waiver. In *Smith v. Alyeska Pipeline Service Company*, 538 F.Supp. 977 (D.Del. 1982), an attorney voluntarily sent a copy of an opinion letter addressed to his client to a defendant advising that his client's patent was being infringed. The attorney-client privilege was held to be waived, and all communications with the attorney relating to the infringement of the patent then had to be produced.

Despite the willingness of courts since Sperry to allow documents generated by patent attorneys to be covered by the attorney-client privilege, at least one recent case has refused to extend the privilege to a patent attorney's opinion letter. In *American Standard Inc. v. Pfizer Inc.*, 828 F.2d 734, 3 U.S.P.Q.2d 1817 (Fed. Cir. 1987), an opinion letter which was not signed, not on letterhead and recommended no legal action was found not to be privileged because it "did not reveal, directly or indirectly, the substance of any confidential communication." While the Federal Circuit did point out that its decision was fact-specific and it would not agree with a view that patent validity opinions are subject to treatment different than that given to attorney's opinions in other areas of law, this is still a troublesome case for patent attorneys since the opinion letter was found not to be privileged.

As a practical note, when legal opinions are sent to clients regarding patentability, infringement or validity of a patent, the client must be cautioned that the opinion is to be maintained in confidence. The letter should not be disclosed to others having no business relationship with the client.

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