United States of America

National aspects

Discovery procedure and how privilege protection operates against discovery

The discovery procedure in the United States of America depends on whether a case is filed and heard in a state or a federal court. After a suit is filed, both parties exchange certain information, namely all material “regarding any non-privileged matter that is relevant to any party’s claim or defense” (Fed. R. Civ. P. 26(b)(1)). Discovery begins with certain mandatory disclosures, including witness lists, lists of documents to be used to prove one’s case, and certain other preliminary documents. The two limits on discovery are the attorney–client privilege and the attorney work product doctrine. In other words, during the discovery stage a party may refuse to supply any documents requested by the other party to litigation on the grounds that the documents are subject to attorney–client privilege or subject to attorney work product doctrine or both.

The attorney–client privilege is the oldest privilege recognized in America (Upjohn Co. v. United States, 449 U.S. 383, 389 (1981)). Wigmore states that the privilege exists only: (i) where legal advice of any kind is sought; (ii) from a professional legal advisor in his or her capacity as such; (iii) for the communication relating to that purpose; (iv) when made in confidence; (v) by the client; (vi) at his or her instance permanently protected; (vii) from disclosure by himself or by the legal advisor; and (viii) except the protection be waived (John Henry Wigmore, Evidence in Trials at Common Law 2290 (McNaughton rev. ed. 1961)).

On the other hand, Judge Wyzanski states that to be able to claim attorney–client privilege, one has to show that (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his or her subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his or her client, (b) without the presence of strangers, (c) for the purpose of securing primarily either (i) an opinion of law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client (United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Mass. 1950)).

Professionals covered by the privilege and secrecy obligation

Qualified lawyers are covered by the privilege and many professionals such as medical doctors are required to keep client information secret. The attorney–client privilege also extends to U.S. patent attorneys, but courts have not uniformly extended the same privilege to communications with U.S. patent agents, who are registered to practice before the USPTO but are not admitted to a state bar. This is because of the U.S. Supreme Court decision that the only legal services patent agents may render are those “necessary and incident” to patent prosecution, including patentability opinions and the preparation and filing of patent applications (Sperry v. Florida, 373 U.S. 379, 386 (1963)). Unlike patent attorneys, patent agents are not authorized to render infringement opinions, because the issue of patent infringement is not “incident to patent prosecution” (Shashank Upadhye, Understanding Willfulness in Patent Infringement: An Analysis of the “Advice of Counsel” Defense, 8 Tex. Intell. Prop. L.J. 39, 53 (1999)). However, there are cases where federal courts recognize that the privilege operates fully in respect of
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patent agents, giving consideration to the function they perform rather than their title (Vernitron Medical Products Inc v. Baxter Laboratories Inc. 186 USPQ (BNA) 324 (DNJ 1975) and In re Ampicillin Antitrust Litigation 81 FRD 377 (D.D.C. 1978): Willi (2005), 303-307). The same applies to trademark attorneys who are recognized and trademark agents who are not and do not have the privilege. The privilege also applies to in-house lawyers who do work of a legal rather than a commercial nature.

Scope of privilege

In the U.S. Supreme Court decision in Sperry v. Florida 373 US 379 (1963), it was ruled that patent practice was the practice of law thus rendering the extension on attorney–client privilege to patent attorneys. In re Spalding 203 F.3d 800 (Fed Cir. 2000), the Court of Appeals for the Federal Circuit was required to decide the privilege of an invention record submitted to Spalding’s corporate legal department by two inventors. The court stated that the client legal privilege “exists to protect not only the giving of professional advice to those who can act on it, but also the giving of information to the lawyer to enable him to give sound and informed advice”. Citing Sperry v. Florida 373 US 379 (1963) and Knogo Corp v. United States (1980) 213 USPQ (BNA) 936, the Court of Appeals went on to hold that a communication to a patent attorney will be privileged “as long as it is …for the purposes of securing primarily legal opinion, or legal services, or assistance in a legal proceeding” (203 F.3d 800 (Fed Cir. 2000), 806 quoting Knogo Corp v. United States 1980 213 USPQ (BNA) 936. Co. 50 FRD 225, 228 (N. D. Cal 1970)), and that an invention record prepared primarily for the purpose of obtaining legal advice on patentability and legal services in preparing a patent application was privileged”.

In United Shoe 89 F. Supp. at 358-59, the Court states that privilege arises when a communication is made between a client and an attorney, that the communication is made in private, and that it be made in order to obtain legal advice. The tests also require that the privilege be asserted; that is, clients may waive the privilege at any time should they so choose.

As for communications from the attorney to the client, courts are split on what should be privileged and what should not. Some courts have held that only when the attorney’s communication would itself reveal a confidential communication from the client to the attorney is the communication protected (United States v. Ramirez, 608 F.2d 1261, 1268 n.12 (9th Cir 1979); GFL Advantage Fund, Ltd. v. Colkitt, 216 F.R.D. 189 (D.D.C. 2003)). Other courts have held that virtually any communication from the lawyer conveying legal advice should be protected (In re LTV Securities Litigation, 89 F.R.D. 595, 602 (N.D. Tex. 1981); Restatement (Third) of the Law Governing Lawyers § 69 cmt. I (2000)).

The Courts in Jack Winter, Inc. v. Koratron Company, Inc. (Jack Winter I) 50 F.R.D. 225 (N.D. Cal. 1970) and Jack Winter, Inc. v. Koratron Company, Inc. (Jack Winter II) 54 F.R.D. 44 (N.D. Cal. 1971) held that the preparation of patents does constitute the practice of law. However, the Court held that the privilege should not fully apply. The Court held that a patent attorney’s practice involved relaying to the USPTO all relevant material concerning the patentability of the invention without exercising any discretion as to what portion of the information to be related to the Patent Office. As such it was held that all technical information provided by a client could not be expected to be held in confidence by the attorney.

The extension of client–attorney privilege to communications involving third parties is limited to the situation where those third parties are acting as agents for either the client or the legal practitioner and only if their presence is necessary to secure and facilitate communication
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between the attorney and client (Fin Tech Int'l Inc v. Smith 49 Fed R. Serv. 3d 961, 967 (S.D. N.Y. 2000)).

For the client-attorney privilege, the form of the communication does not matter in most instances in the determination of whether privilege applies (Haines v. Liggett Group, Inc., 975 F.2d 81, 90 (3d Cir. 1992)). The communication may even be non-documented so long as it actually pertains to advising the client (Restatement (Third) of the Law Governing Lawyers § 69 cmt. E (2000)). What does matter is whether the document reflects an actual substantive communication between the attorney and the client regarding legal advice: simply giving a document to a lawyer will not protect the communication (Fisher v. United States, 425 U.S. 391, 404 (1976)). The privilege will only protect the actual communication between the lawyer and the client: it will not protect the facts underlying the communication (Upjohn Co. v. United States, 449 U.S. 383, 395-96 (1981)). Even if the facts were included in a communication with the lawyer, the party may still be required to disclose them to the opposing party (re Six Grand Jury Witnesses, 979 F.2d 939, 943 (2d Cir. 1992)).

The limitations and exceptions to privilege

There are several limitations and exceptions to the attorney-client privilege in the United States, such as the crime-fraud exception and testamentary exception, in order to safeguard the proper functioning of the adversary system (United States v. Zolin (1989) 491 US 554, 562-563, quoted in Swidler & Berlin v. United States (1998) 524 US 399). In United States v. Zolin (1989) 491 US 554, 562-563, it was held that the purpose of the crime-fraud exception to the attorney-client privilege is to ensure that the “seal of secrecy” between lawyer and client does not extend to communications “made for the purpose of getting advice for the commission of a fraud or crime.” Testamentary exception relates to disputes on estates of a deceased between the heirs of the clients (Swidler & Berlin v. United States (1998) 524 US 399).

The most common way of destroying privilege is its voluntary waiver by the client. This can happen in a number of settings and for a variety of motives. In the patent context, voluntary waivers tend to take two forms. The first concerns disclosures made by an inventor of attorney communications to “a third party who lacks a common legal interest” (Ferko v. NASCAR, 218 F.R.D. 125, 134 (E.D. Tex. 2003). See also, United States v. Ackert, 169 F.3d 136, 139 (2d Cir. 1999); In re Auclair, 961 F.2d 65, 69 (5th Cir. 1992)). Any such disclosure will render the communication unprivileged by destroying the confidentiality of the document.

The second, and more common, type of voluntary waiver in the patent setting is that connected with an advice-of-counsel defense to a willful infringement claim. A defendant raising such a defense will argue that she could not have been willful in her infringement because she sought the advice of a lawyer who returned an opinion that the allegedly infringing activity was not in fact covered by the plaintiff's patent, or that the plaintiff's patent was likely to be invalid (Westvaco Corp. v. International Paper Co., 991 F.2d 735, 743 (Fed. Cir. 1993)). Such a defense will, by necessity, require that the attorney opinion letter be disclosed to the fact-finder in the case, as well as those documents underlying the advice in the letter (See, e.g., Micron Separations, Inc. v. Pall Corp., 159 F.R.D. 361, 363-65 (D. Mass. 1995)).

Another form of the voluntary waiver of attorney-client privilege occurs when a client decides to waive privilege in response to prosecutorial incentives. Courts have so far been split on what the effect is of a voluntary waiver to a government agency on third party access to disclosed material. Most favor an approach which respects the absolute nature of the attorney-client privilege, and so will find that any disclosure to an agency is a complete waiver of the privilege.
The Eighth Circuit has endorsed the concept of selective waiver (*Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1977)). Selective waiver would permit a party to waive the attorney–client privilege with respect to certain third parties but not to others. A disclosure to one government agency would then not have destroyed the privilege with respect to the disclosed material.

The final method of waiving privilege occurs when material meant to be kept confidential is inadvertently disclosed. The most common scenario for inadvertent disclosure occurs as parties answer document requests during discovery, and material meant to be excluded is accidentally supplied to opposing counsel. Courts have adopted three primary means of addressing this situation, perhaps best thought of as points along a continuum. At one extreme are the courts which have held that any disclosure is sufficient to destroy confidentiality and therefore no privilege can exist. These courts will argue that the purpose of privilege is to preserve confidentiality: without such confidentiality then there is no sense left in preserving the privilege (*See, e.g.*, *Hamilton v. Hamilton Steel Corp.*, 409 So. 2d 1111, 1114 (Fla. Dist. Ct. App. 1982)). For these courts, the reason for the disclosure does not matter, only that the disclosure happened.

The other extreme sees courts which rule that waiver is a voluntary action and therefore cannot happen inadvertently. For these courts the fact that a disclosure happened is not enough to waive privilege, and so even when an opposing party obtains documents meant to remain confidential that party may not use them (*See, e.g.*, *Stratagem Dev. Corp. v. Heron Int’l N.V.*, 153 F.R.D. 535, 543 (S.D.N.Y 1994)).

There are also statutory limitations to the attorney–client privilege in the United States. For example, in major and important corporate cases such as the Enron World fraud case, the Department of Justice issued guidelines to encourage federal prosecutors to seek waivers by corporations of the attorney–client privilege in a sort of *quid pro quo* for favorable treatment by the prosecutor in considering whether to indict the corporation. Prosecutors then use a corporation’s refusal to provide privilege waivers as an aggravating factor in support of charging a corporation with a crime (R J Anello, “Preserving the Corporate Attorney-Client Privilege: Here and Abroad” (2008) 27 *Pennsylvania State International Law Review* 291, 293).

**Consequences of the loss of confidentiality and penalties for disclosure**

As privilege is premised on the idea that certain communications were meant to be kept private by the client, once a communication is disclosed to the public the need for confidentiality is removed and the privilege may be destroyed. Such a disclosure may be voluntary or inadvertent, and the consequences of the disclosure can vary depending on what type of disclosure was made.

The consequences for the attorney responsible for a disclosure may be severe, depending on the nature of the disclosure. The Model Rules of Professional Conduct require that attorneys preserve client confidentiality (Model Rules of Prof’l Conduct R. 1.6 (2008)). The rule requires lawyers not to disclose intentionally confidential information, as well as taking reasonable precautionary steps to guard against any disclosure by employees. Should the lawyer fail to do the above, she may become the subject of disciplinary action by the relevant bar association, leading to a punishment ranging from warnings to suspension to disbarment (Model Rules of Prof’l Conduct R. 8.5 (2008)). A lawyer disclosing information may also be sued by her client for malpractice, which could bring with it far more severe pecuniary punishments.
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The law gives the United States Patent and Trademark Office (USPTO) the power to make rules and regulations governing conduct and recognition of patent attorneys and agents to practice before the USPTO. The USPTO has the power to disbar, or suspend from practicing before it, persons guilty of gross misconduct, etc., but this can only be done after a full hearing with the presentation of clear and convincing evidence concerning the misconduct.

Requirements/qualifications for patent advisors

The USPTO maintains a register of patent attorneys, who are attorneys at law, and patent agents, who are not attorneys at law. According to the USPTO, to be admitted to this register, a person must comply with the regulations prescribed by the Office, which require proof that the person is of good moral character and of good repute and that he/she has the legal, and scientific and technical qualifications necessary to render applicants for patents a valuable service. Some of these qualifications must be demonstrated by passing an examination. Those admitted to the examination must have a college degree in engineering or physical science or the equivalent of such a degree.

Cross-border aspects

Treatment of foreign patent advisors

In terms of the recognition of foreign patent attorney/agent privilege, there are two main approaches adopted across the federal district circuit courts either based on the non-choice of law or choice of law approach.

Under the non-choice of law approach, no privilege for a foreign patent practitioner is recognized, because he or she is neither a US attorney nor the agent or immediate subordinate of an attorney (examples of this approach can be found in decisions of the Federal District Courts in Maryland and Wisconsin). However, limited privilege is recognized, i.e. communications are privileged only when the foreign patent practitioner is acting as the agent or immediate subordinate of a US attorney (note that independent foreign patent practitioners retained either by the client directly to prosecute US patent applications through US attorneys or by a US attorney to prepare and prosecute patent applications in their foreign country are not generally treated as agents or subordinates) (examples of this approach can be found in decisions of the Federal District Courts in New York, Delaware and Illinois). Limited privilege is also recognized where the foreign patent practitioner is functioning as an attorney e.g. are permitted by law in their country to give patent law advice by virtue of being registered in the patent office of their country (examples of this approach can be found in decisions of the Federal District Courts in New Jersey, Delaware and Illinois).

Most courts, however, use the Choice of Law approach, which is based on either the “Touching Base” approach, the “Comity Plus Function approach” or the “Most Direct and Compelling Interest approach”. Under the Touching Base approach, communications with foreign patent agents regarding assistance in prosecuting foreign patent applications may be privileged if the privilege would apply under the law of the foreign country in which the patent application is filed and that law is not contrary to the public policy of the United States (See Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1169-71 (D.S.C. 1975)).

Under the Comity Plus Function approach, the Court will abide by the outcome dictated by comity when the foreign patent agent renders independent legal services. In Mendenhall v. Barber-Greene Co. 531 F. Supp. 951, 952 (N.D. Ill. 1982), the Court held that where a U.S. client
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seeks a foreign patent through her U.S. attorney the U.S. attorney operates only as a conduit for information between the client and the foreign agent, and therefore communication is effectively between a U.S. client and a foreign agent, and communication is then privileged only if the foreign law would recognize such a privilege.

Another situation is where a US client retains a US attorney to secure a foreign patent, and the US attorney hires a foreign agent in order to prosecute the application before the foreign office. If the foreign attorney does nothing other than filing documents with the foreign office, then, again, the agent is nothing more than a conduit and the privilege exists only if the foreign law would grant such a privilege to communications between the US attorney and the foreign office directly.

Under the “most direct and compelling interest” approach, the court will weigh the competing interests of all involved states and decides which one has the greatest interest in seeing its own law applied. This may involve the application of the Restatement (Second) Conflict of Laws (VLT Corp. v. Unitrode Corp., 194 F.R.D. 8, 16 (D. Mass. 2000); Restatement (Second) of Conflict of Laws § 139(2) (1988)). Section 139(2) of the Restatement (Second) of Conflict of Laws § 139(2) provides for several factors to be taken into consideration when deciding on the law to be applied including the real ties between the parties and the various nations involved and in the overall equities in the situation. In Aktiebolag v. Andrx Pharmaceuticals, Inc. 208 F.R.D. 92, 104-105 (S.D.N.Y. 2002), the district court suggested that the doctrine could be used in a more expansive way to protect more communications. The court found that the equities of a situation may require that the law of a state without the strongest interest but with greater privilege protections may require that these laws be applied. The court also suggested that for the purposes of federal common law privilege doctrine there was no difference between U.S. and foreign patent attorneys for the purpose of deciding protection for communications with U.S. clients by arguing that a German, a Korean, and a U.S. patent attorney were all alike for the analysis of attorney–client privilege.

In the Bristol-Myers Squibb Co. v. Rohen-Pulenc Rorer Inc., 52 U.S.P.Q 2d 1897, 188 F.R.D. 189 (U.S. District Court, Southern New York, 1999) case in 1999, the New York District Court did not recognize the client-patent attorney privilege of a European professional representative, since the confidentiality of communications was not expressly contained in the French statutory law. The court held that the Institute of Professional Representatives before the European Patent Office’s (epi) Disciplinary Rule on secrecy did not provide European patent attorneys the equivalent of the US attorney–client privilege. Consequently, the entire contents of the files of the European patent attorney of a French company were ordered to be produced in court. Similarly, privilege for IP advice made by Japanese patent attorneys has been denied by US courts, as in the case Honeywell v. Minolta in 1986, where all communications made by the Japanese patent attorneys were forcibly disclosed. However, after the amendment to the Japanese Code of Civil Procedures in 1996, which gave patent attorneys the right to refuse to testify with regard to any facts that are under professional secrecy obligation and to produce documents containing those facts, in the decision Eisai Ltd. V. Dr. Reddy’s Laboratories Inc., 77 U.S.P.Q. 2d 1854, 406 F. Supp. 2d 341 (U.S. District Court, Southern New York 2005), the New York District Court recognized the confidentiality of communications between a client and a Japanese non-lawyer patent agent as privileged according to the principle of judicial comity. Still, it was considered that comity was subject to overriding U.S. policy considerations.

This approach of recognizing foreign law based on conflict of laws/international private law could be seen as generating appropriate results, leaving sufficient flexibility to each national jurisdiction concerning the substantive law of evidence or IP law. In the absence of
international standards, it provides for a remedy which takes into account national realities. However, it might trigger additional costs for the examination of foreign law and increases legal uncertainty. As the case *Rhone-Poulenc* based its decision on the non-existence of patent advisor privilege in the statute, it provided for some incentives, in civil law countries, to set national statutory standards as a necessary element for foreign recognition by countries following such an approach (for example, the amendments made in national laws of France, as well as the Implementing Regulations to the European Patent Convention).

As the above makes clear, the state of the law regarding foreign patent agents is anything but settled. However, what ultimately separates courts is more a question about how expansive the attorney–client privilege is meant to be rather than any doubts about the value of foreign agents.

**Summary**

The above discussion shows how complicated the situation is in the United States in dealing with attorney-client privilege, especially in relation to patent attorneys and patent agents. Attorney-client privilege is generally extended to patent attorneys and in limited circumstances to patent agents who provide legal advice to clients. The law is not settled on the treatment of patent agents as decisions are rendered on a case-by-case basis and depends on the treatment of such a request for privilege by the court. Attorney-client privilege may exist in normal circumstances, that is, in legal communications between an attorney and his or her client in the attorney’s legal professional capacity. The patent attorney privilege may be lost where the legal advice is sought for the purpose of committing crime and fraud. The privilege may also be lost by clients’ waiver. Any breach of the privilege will cause patent attorneys to be subject to disciplinary proceedings by the relevant Bar and/or by the USPTO.

United States case law provides several legal rules in allowing the privilege to be extended to foreign patent attorneys under different doctrines. It appears that most courts use the “touching base” approach (communications with foreign patent agents regarding assistance in prosecuting foreign patent applications may be privileged if the privilege would apply under the law of the foreign country in which the patent application is filed and that law is not contrary to the public policy of the United States) and the “comity plus function approach” (the court will abide by the outcome dictated by comity when the foreign patent agent renders independent legal services).