



**STRATEGIES FOR ASSERTING AND WAIVING
THE ATTORNEY-CLIENT PRIVILEGE OF THE PATENT HOLDER
IN PATENT CASES INVOLVING THE INEQUITABLE CONDUCT DEFENSE**

Inequitable conduct is a disfavored defense in patent litigation. It is rarely successful. Courts are concerned that overuse of the inequitable conduct defense has a negative impact on the professionalism and integrity of the patent bar. *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418 (Fed. Cir. 1988); see *Ferring BV v. Barr Labs., Inc.*, 437 F.3d 1181, 1195-96 (Fed. Cir. 2006) (Newman, J., dissenting). Nevertheless, when the defense is raised, it impacts the attorney-client privilege between the inventor and patent attorney. This paper explores ways and means by which patentees can protect their intellectual property interests during patent litigation by making strategic decisions to assert and, in limited appropriate circumstances, waive the attorney-client privilege.

**THE MODERN TREND IN THE LAW IS TOWARD INCREASING PROTECTION FOR THE
ATTORNEY-CLIENT PRIVILEGE IN PATENT LITIGATION**

Over the past several years, court decisions have tended to increase the protection afforded privileged communications. For example, decisions such as *In re Seagate Technology LLC*, No. 830, 2007 U.S. App. LEXIS 19768 (Fed. Cir. 2007); *In re EchoStar Commc'n Corp.*, 448 F.3d 1294 (Fed. Cir. 2006); and *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) have resulted in increased protection of privileged communications for accused infringer-defendants in cases involving allegations of willful infringement.





A similar trend can be discerned on the patentee-plaintiff's side of the aisle. Thirty-five years ago, case decisions such as *Jack Winter, Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D. Cal. 1970) pictured the patent attorney as little more than a conduit for the transmission of technical information from an inventor to the U.S. Patent and Trademark Office ("PTO"). However, the modern trend in the case law, starting at least as early as *Knogo Corp. v. United States*, 1980 U.S. Ct. Cl. LEXIS 1262 (Ct. Cl. 1980) is to recognize that patent attorneys provide confidential legal advice to inventor clients, and that such advice should be protected by the attorney-client privilege as much as in any other area of the law. See *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000).

THE INEQUITABLE CONDUCT DEFENSE IMPINGES ON THE ATTORNEY-CLIENT PRIVILEGE

The inequitable conduct defense, if successful, can render an entire patent unenforceable, thereby raising a complete defense to a patentee's case for patent infringement. *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1364 (Fed. Cir. 2003). Inequitable conduct occurs when a patentee breaches his or her duty of candor to the PTO. 37 C.F.R. § 1.56 (2006). Inequitable conduct may arise when the patent applicant fails to disclose material information to the PTO. *Id.* There are two components to inequitable conduct: (i) whether information that was not disclosed to the PTO during prosecution meets a threshold level of materiality; and (ii) whether the non-disclosure occurred with an intent to deceive the PTO. *Young v. Lumenis, Inc.*, 492 F.3d 1336, 1348 (Fed. Cir. 2007). The predicate facts of



materiality and intent to deceive must be proven by clear and convincing evidence. *Upjohn Co. v. Mova Pharm. Corp.*, 225 F.3d 1306, 1312 (Fed. Cir. 2000). If both components satisfy a certain threshold, a court may balance and weigh both the materiality and intent in light of all the circumstances to determine whether the applicant's conduct is so culpable that the patent should be held unenforceable. *Eli Lilly & Co. v. Zenith Goldline Pharms., Inc.*, 471 F.3d 1369, 1381 (Fed. Cir. 2006); *Dayco Prods., Inc.*, 329 F.3d 1358 at 1362-63.

During discovery, it has become common place to depose either the inventor or the patent prosecution attorney, or both. During the depositions, it has become routine to inquire into whether information that was not disclosed during prosecution was accompanied by an intent to deceive the PTO. Such inquiry necessarily implicates the thoughts and mental impressions of the inventor and patent attorney. To the extent that the respective thoughts and mental impressions of the inventor and attorney were shared with each other in connection with solicitation of legal advice or the rendering of legal advice, the inquiry invades the province of attorney-client privileged communications. On a related note, the attorney's thoughts and mental impressions, even if not shared directly with the inventor/client, may implicate another evidentiary privilege referred to as the work-product doctrine.

PROTECTING THE PRIVILEGE AT THE PLEADING STAGE

Prevailing case law maintains that inequitable conduct is a subject that falls within the heightened pleading requirements of Rule 9(b) of the Federal Rules of Civil Procedure.





Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC, 350 F.3d 1327, 1344 (Fed. Cir. 2003); see *Cent. Admixture Pharm. Servs., Inc. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1356 (Fed. Cir. 2007). An affirmative defense of inequitable conduct that is raised as a mere "notice pleading" instead of "with particularity" is subject to a motion to strike under Fed. R. Civ. P. 12(f). *Multimedia Patent Trust v. Microsoft, Corp.*, 2007 U.S. Dist. LEXIS 66975, *18-19 (S.D. Cal. Sept. 10, 2007); *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219, 223 (N.D. Cal. 1994). Alternatively, a patentee may wait until the pleadings are closed and move for judgment on the pleadings if inequitable conduct has not been pleaded with the requisite particularity. *Cent. Admixture Pharm. Servs. Inc.*, 482 F.3d at 1356-57. Depending on the stage of the litigation, the trial court has discretion to deny a defendant's motion for leave to amend pleadings in order to assert new and additional allegations of inequitable conduct. *Id.* at 1357.

PROTECTING THE PRIVILEGE BY USING RULE 11

The inequitable conduct defense is sometimes abused by the filing of affirmative defenses that are substantially frivolous. When this occurs, the defense may be vulnerable to attack under Rule 11 of the Federal Rules of Civil Procedure. Some commentators maintain that Rule 11 is better suited than Rule 9(b) to deter improper conduct. Weidinger, M.A., *Inequitable Pleading: Defendants' Particular Burden in Patent Infringement Suits*, 62 Geo. Wash. L. Rev. 1178 (August 1994). A timely and successful Rule 11 motion may obviate the need for patent prosecution counsel to even give a discovery deposition.



PROTECTING THE PRIVILEGE AT THE SUBPOENA STAGE

A discovery deposition subpoena served on outside patent counsel may be vulnerable to a motion to quash under Fed. R. Civ. P. 45(c). When ruling on a motion to quash, the district court must balance the relevance of the discovery sought against the requesting party's need, and the potential hardship to the party subject to the subpoena. *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d 1207, 1210 (Fed. Cir. 1987).

A deposition subpoena to outside patent counsel should be limited to issues raised in the pleadings and should not be used to expand the scope of litigation by conducting an unfettered "fishing expedition." For example, the trial court limited the scope of oral examination of counsel to specific topics in the case of *Environ Prods., Inc., v. Total Containment, Inc.*, No. 95-4467, 1996 U.S. Dist. LEXIS 12336, *13-14 (E.D. Pa. Aug. 22, 1996); see *Plymouth Indus., LLC v. Sioux Steel Co.*, 2006 U.S. Dist. LEXIS 14706, *11-15 (D. Neb. Mar. 17, 2006); *Genal Strap v. Dar*, 2006 U.S. Dist. LEXIS 11474, *8-10 (E.D.N.Y. Mar. 3, 2006).

ASSERTING THE ATTORNEY-CLIENT PRIVILEGE AT THE DEPOSITION INSTRUCTING THE WITNESS NOT TO ANSWER

The mere allegation that a party or its attorney has engaged in inequitable conduct does not vitiate a party's attorney-client privilege. *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 148 F.R.D. 493 (E.D.N.Y. 1993); see *Thermos Co. v. Starbucks Corp.*, No. 963833, 1999 U.S. Dist. LEXIS 5057, *8-9 (D. Ill. Apr. 5, 1999). Thus, a patentee accused of inequitable conduct retains the full right to assert the attorney-client privilege at a discovery deposition,



including instructing an inventor witness or patent attorney witness not to answer questions that invade the privilege.

THE SCOPE OF THE ATTORNEY-CLIENT PRIVILEGE

The recent trend in the case law appears to be in the direction of protecting a broad scope of attorney-client communications in the context of preparing and prosecuting patent applications. In the case of *In re Spalding Sports Worldwide Inc.*, 203 F.3d 800, 805-06 (Fed. Cir. 2000), the court upheld the privilege over an invention disclosure record submitted to in-house counsel. The district court took an expansive view of the privilege in connection with drafting a patent application in the case of *McCook Metals, LLC v. Alcoa, Inc.*, 192 F.R.D. 242, 252-53 (N.D. Ill. 2000).

A patent draft implicitly contains the legal opinion and advice of the attorney regarding the wording of technical specifications, claims, and prior art, and whether an item is included, all of which are necessary to secure a legal claim for the client. The art of creating verbal packages to persuade others, in this case the PTO, to find favorably for one's client, as opposed to simply dumping upon them a heap of detached, unorganized, technical blizzard of papers, is the work of an attorney.

Additional areas where the attorney-client privilege has been upheld include:

Attorney-client discussions regarding the duty to disclose prior art and other material information during prosecution. *Derrick Mfg. Corp. v. Southwestern Wire Cloth, Inc.*, 934 F. Supp. 813 (S.D. Tex. 1996);



Patent counsel's understanding of the meaning of claim terms derived from communications with the inventor. *Advanced Cardiovascular Sys., Inc. v. C.R. Bard, Inc.*, 144 F.R.D. 372 (N.D. Cal. 1992);

What an inventor told the patent attorney about how an invention works. *Knogo Corp.*, 1980 U.S. Ct. Cl. LEXIS 1262 at *1; and

Thought processes of the patent prosecution attorney in connection with preparing a patent application. *McCook Metals, LLC*, 192 F.R.D. at 242.

PROTECTING THE ATTORNEY-CLIENT PRIVILEGE AGAINST INCURSION UNDER THE "CRIME-FRAUD" EXCEPTION

The courts recognize that there are two different types of inequitable conduct. The first and less severe form of inequitable conduct, if proved, merely results in a patent being held unenforceable. The second and more severe form of inequitable conduct may give rise to affirmative relief for the accused infringer under the anti trust laws. This second and more severe form of inequitable conduct is generally referred to as *Walker-Process* fraud, after the Supreme Court decision in *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965). *Walker Process* fraud requires proof that traditional common law fraud was committed on the PTO—a more demanding standard than proof of inequitable conduct.

Unlike in "garden variety" inequitable conduct cases, the accused infringer may be able to penetrate the attorney-client privilege in the *Walker-Process* type of case. Where there is independent evidence that the privileged communication was made in furtherance of a crime



or fraud, a court may order discovery into such privileged communications under the "crime-fraud" exception. The crime-fraud exception applies in only the rarest of cases and the patentee-plaintiff may insist that an accused infringer/defendant obtain a court order before conducting discovery into privileged areas.

The evidentiary showing required to make a *prima facie* showing of fraud in order to establish the crime-fraud exception to the attorney-client privilege is greater than the evidentiary showing required to make a *prima facie* showing of inequitable conduct. The Federal Circuit has stated that a party seeking to overcome the attorney-client privilege need not conclusively prove fraud, but must produce something more than evidence of the patentee's failure to cite to the PTO material information of which the patentee was aware. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d at 808. Generally, the accused infringer must present independent evidence demonstrating a knowing, willful, and intentional act of omission. *Abbott Labs v. Andrx Pharmaceuticals, Inc.*, 241 F.R.D. 480 (N.D. Ill. 2007)(citing *Thermos Co.*, 1999 U.S. Dist. LEXIS 5057 at *4). In addition, the accused infringer must also produce some independent evidence that the PTO relied on the patent applicant's acts or omission such that "but for" applicant's conduct, the patent would not have issued. *Id.* at 487 (citing *Nobelpharma AB v. Implant Innovation, Inc.*, 141 F.3d 1059, 1071 (Fed. Cir. 1998).

In summary, *Walker-Process* fraud cases are rare and there is a high standard that must be met in order to vitiate the attorney-client privilege during discovery. Apart from such



a high showing of proof, the patentee accused of mere inequitable conduct, not of the *Walker-Process* variety, may preserve its attorney-client privilege during the discovery depositions of its inventor and patent attorney.

THE WORK PRODUCT IMMUNITY DOCTRINE IN PATENT PRACTICE

Generally, documents that are routinely generated in connection with an *ex parte* patent application are not protected by the work product doctrine. *Paris v. R.P. Scherer Corp.*, No. 02-1044, 2006 U.S. Dist. LEXIS 47413, *10-11 (D.N.J. July, 13, 2006); *In re Gabapentin Patent Litigation*, 214 F.R.D. 178, 185 (D.N.J. 2003). However, there are exceptions to the general rule, such as where documents pertaining to the patent application process are also prepared because of actual or anticipated litigation. *In re Minebea*, 143 F.R.D. 494, 499 (S.D.N.Y. 1992). Documents prepared in connection with an interference proceeding have been held to be protected by the work-product doctrine. *Elec. Memories & Magnetics Corp. v. Control Data Corp.*, No. 71 C 497 (N.D. Ill. 1975). A similar rule applies to patent office reexamination proceedings and appeals to the Board of Patent Appeals and Interferences. *Oak Indus. v. Zenith Elecs. Corp.*, 687 F. Supp. 369, 374 (N. D. Ill. 1988).

WAIVER OF THE PRIVILEGE

Even though a patentee may have the right to assert the attorney-client privilege during discovery in an inequitable conduct case, the patentee may, nevertheless, decide to waive the privilege for tactical reasons. Courts recognize that the intent to deceive element



of inequitable conduct is difficult to prove with direct evidence. Consequently, this element of inequitable conduct may sometimes be inferred from the facts and circumstances surrounding the applicant's overall conduct. *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007)(citing *Paragon Podiatry Lab. v. KLM Lab.*, 984 F.2d 1182, 1189 (Fed. Cir. 1993)).

Rather than keep silent, maintain the privilege, and run the risk of having the finder of fact infer intent to deceive from an ambiguous set of facts and circumstances, the patentee may prefer to waive the privilege and voluntarily submit affirmative evidence demonstrating that the patent applicant acted without intent to deceive. For example, faced with evidence that a certain prior art reference was not disclosed during prosecution, the patentee may prefer to divulge otherwise-privileged communications that the patentee, in good faith, had performed an analysis and formed a good faith belief that the prior art reference was cumulative to art already of record and, therefore, not material. Similarly, the patentee may have evidence, otherwise privileged, that demonstrates that the failure to cite information during prosecution was the result of mere inadvertence or neglect, and not the result of any deliberate intent to deceive the patent office.

In response to deposition questions, a patentee and its patent attorney may deny acting with any intent to deceive without waiving the privilege. *Derrick Mfg. Corp.*, 934 F. Supp. at 817. Also, an inequitable conduct allegation may be resisted with non-privileged information, without waiving privilege. See *August Tech. v. Camtek Ltd.*, No. 05-1396 (D. Minn. Oct. 3, 2007) (order denying motion to compel). However, when the patentee's



witnesses affirmatively interject privileged communications to explain the non-disclosure, a court may find that the privilege has been waived.

The decision of whether to rely on non-privileged information to rebut an allegation of intent to deceive or to waive the privilege when offering an exculpatory explanation is a tactical decision to be made between the client and its trial counsel. Such a decision could be critical to the outcome of a case and requires some strategic planning. Waiting to make such a decision until a question is actually posed to a witness in the middle of a deposition is obviously not the best way to handle the situation. Accordingly, the decision to waive or assert the privilege should be made in a careful and deliberate manner well prior to the inventor or patent attorney actually sitting for a deposition.

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