

Abstract

Matt Rodgers, a 2003 graduate of the University of Oklahoma College of Law, provides this insight into the current status of attorney-client privilege in patent litigation. The Federal Circuit recently resolved a legal dispute that had split district courts for several decades regarding the application of the privilege in patent litigation. Some circuits followed the theory that patent attorneys act as mere conduits to the United States Patent and Trademark Office. Since their clients had no expectation of confidentiality, the communications were not privileged. Other circuits reasoned that patent attorneys are more than mere conduits, and that communications from client to patent attorney should be accorded the same protection as any other legal communication. The Federal Circuit held in *In re Spalding Sports Worldwide* that communications between a client and patent attorney are privileged, even if they contain mostly technical data, as long as the communication was made for the purpose of obtaining legal advice.

ATTORNEY-CLIENT PRIVILEGE IN PATENT LITIGATION: *IN RE SPALDING SPORTS WORLDWIDE*

Matt Rodgers

I. Introduction

One of the few ways to avoid the wide reach of modern discovery is a claim of attorney-client privilege. The Federal Circuit recently resolved a legal dispute that had split district courts for several decades regarding the application of the privilege in patent litigation.¹ Some circuits followed the theory that patent attorneys act as mere conduits to the United States Patent and Trademark Office (“PTO”).² Since their clients had no expectation of confidentiality, the communications were not privileged.³ Other circuits reasoned that patent attorneys are more than mere conduits, and that communications from client to patent attorney should be afforded the same protection as any other legal communication.⁴ The Federal Circuit held in *In re Spalding Sports Worldwide*⁵ that communications between a client and patent attorney are

¹ See *In re Spalding Sports Worldwide*, 203 F.3d 800 (Fed. Cir. 2000).

² See, e.g., *Jack Winter v. Koratron Co.*, 50 F.R.D. 225 (N.D. Cal. 1970).

³ See *id.*

⁴ See *Knogo Corp. v. United States*, 213 U.S.P.Q. 936 (Ct. Cl. 1980).

⁵ *Spalding*, 203 F.3d at 800.

privileged, even if they contain mostly technical data, as long as the communication was made for the purpose of obtaining legal advice.⁶

This article explains how the Federal Circuit, in resolving a split of authority, chose the path of extending the privilege to most legal communications between a client and patent attorney. The article finishes by first examining several relevant holdings since *Spalding*, and finally by suggesting to patent practitioners what communications are now privileged and how to ensure proper maintenance of the privilege.

II. The Patent Attorney-Client Privilege

In 1963, the United States Supreme Court in *Sperry v. Florida ex rel. Florida Bar*⁷ held that it “did not question the determination that ... the preparation and prosecution of patent applications for others constitutes the practice of law.”⁸ Now that the Supreme Court had settled the issue of whether patent attorneys were engaged in the practice of law, a new battle arose. The controversy focused on what communications between a patent attorney and client should receive the attorney-client privilege, and two distinct lines of cases arose.

A. The Jack Winter Line of Cases

Under 35 U.S.C. §112 and 37 C.F.R. §1.56, the patent applicant and his attorney are under a duty to disclose to the PTO anything material to the patentability of the invention. In *Jack Winter, Inc. v Koratron Co.*,⁹ the court for the Northern District of California explained that

⁶ *Id.* at 806.

⁷ *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379 (1963).

⁸ *Id.* at 383. Although the Supreme Court’s holding focused on the Supremacy Clause, this dicta had a major impact on the practice of patent law. Many states were then forced to allow patent agents to practice within their borders.

⁹ *Jack Winters, Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D. Cal. 1970).

on the question of disclosure, case law clearly called for a bona fide full disclosure to the PTO.¹⁰

An application for a patent must include a good faith disclosure of sufficient factual information to enable one skilled in the art to make and practice the invention.¹¹ The court therefore reasoned:

[T]he attorney exercises no discretion as to what portion of [information relevant to patentability passed from client to attorney] must be relayed to the Patent Office. He must turn *all* such information over in full . . . and hence with respect to such material he acts as a conduit between his client and the Patent Office.¹²

Since the client does not expect the information to remain confidential, the communication is not afforded the attorney-client privilege.¹³

B. The Knogo Line of Cases

In *Knogo v. United States*,¹⁴ the Court of Claims recognized that “[s]ome of the most difficult discovery questions presented in patent litigation relate to the assertion of attorney-client privilege with respect to communications containing primarily or exclusively technical information.”¹⁵ Although *Knogo* cited authority for its split from *Jack Winter*,¹⁶ the court, in

¹⁰ *Id.* In *Jack Winter*, a patent attorney refused to answer certain questions propounded upon him at the taking of his deposition. The attorney refused to answer, among others, questions that sought to elicit the names of persons who gave him information and samples for the purposes of preparing the patent application, the substance of the information imparted, his responses to persons consulting him with respect to the application, and his knowledge of the processes described in the application. *Id.* at 227.

¹¹ *Id.* at 228.

¹² *Id.*; see also *BioRad Lab v. Pharmacia, Inc.*, 130 F.R.D. 116 (N.D. Cal. 1990); *Quantum Corp. v. W. Digital Corp.*, 15 U.S.P.Q.2d 1924 (N.D. Cal. 1990); *Hercules Inc. v. Exxon Corp.*, 434 F. Supp. 136 (D. Del. 1977); *Dunlap Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146 (D.S.C. 1975); *Burlington Indus. V Exxon Corp.*, 65 F.R.D. 26, 39 (D. Md. 1974).

¹³ *Jack Winter*, 50 F.R.D. at 228.

¹⁴ *Knogo v. United States*, 213 U.S.P.Q. 936 (Ct. Cl. 1980).

¹⁵ *Id.* at 939. *Knogo* involved the ruling on a motion to compel production of several documents including letters from patent attorney to client and memorandums of experts submitted to the attorney to aid in assessing the invention’s patentability and aid in obtaining a patent. *Id.* at 938-39.

¹⁶ See *id.* at 940 (citing *Natta v. Hogan*, 392 F.2d 686 (10th Cir. 1968) and *In re Amplicillin Antitrust Litig.*, 81 F.R.D. 377 (D.D.C. 1978)).

reality, created new precedent.¹⁷ After careful consideration of the *Jack Winter* line of cases the court noted:

[A] distinction can be made between the duty to disclose how to make and use the invention and the mere funneling of technical information from the client through the attorney to the Patent Office. The former is the job of a patent attorney, while the latter is an inaccurate, and uninformed characterization of the patent attorney's role in the preparation and prosecution of a patent application.¹⁸

The *Knogo* court observed that attorney client-privilege only applies to the communication between the attorney and client, not the technical information contained in the communication.¹⁹

A variation on the *Knogo* theme arose in 1992. In *Advanced Cardiovascular Sys. v. C.R. Bard, Inc.*,²⁰ the court for the Northern District of California reasoned that inventors and their patent lawyers engage in substantial private dialogue as part of the process of shaping and focusing a patent application.²¹ Furthermore, the district court found it reasonable to expect those conversations to remain privileged.²² Therefore, communications, even if entirely technical, from inventor to patent attorney were ruled presumptively privileged.²³ The only way the court would consider ordering disclosure of such communications rested on a "very compelling showing" that the inventor expected the patent attorney to merely pass on the

¹⁷ *Natta* seemingly only stood for the propositions that discovery rules apply to patent litigation, *see Natta*, 392 F.2d at 690, and that an automatic waiver of attorney-client privilege does not occur when a patent controversy is presented, *see id.* at 692. *Amplicillin* is somewhat more helpful in that it held that it is not necessary that information be known only to the client to be privileged, *see Amplicillin*, 81 F.R.D. at 389, but the case never specifically discusses technical information. *Natta* came down before *Jack Winter* and *Amplicillin* never recognized a split of authority or even cited *Jack Winter*.

¹⁸ *Knogo*, 213 U.S.P.Q. at 940.

¹⁹ *Id.*

²⁰ *Advanced Cardiovascular Sys. v. C.R. Bard, Inc.*, 144 F.R.D. 372, 378 (N.D. Cal. 1992).

²¹ *Id.*

²² *Id.*

²³ *Id.*

communication to the PTO without changes or editing.²⁴ A majority of circuits eventually followed *Knogo*, including the First, Second, Fourth, Fifth, and Ninth.²⁵ However, scholars still recognized a clear split of authority.²⁶

III. The Holding of *In re Spalding Sports Worldwide*

Spalding made its way to the Federal Circuit by way of a petition for a writ of mandamus.²⁷ *Spalding Sports Worldwide, Inc.* (“*Spalding*”) contested a discovery order of a United States Magistrate Judge from the District of Massachusetts requiring *Spalding* to produce a document described as an invention record.²⁸ Invention records are records submitted by inventors to the corporate patent department to disclose that the invention has been made and is ready for the patenting process.²⁹ In holding that the invention record was not privileged, the magistrate judge noted that the invention record appeared to be primarily technical, rather than legal in nature, and seemingly adopted the “mere conduit” theory.³⁰ District Judge Posner refused to vacate the order, deciding the magistrate’s findings were neither clearly erroneous nor contrary to law.³¹

²⁴ *Id.*

²⁵ See BARRY L. GROSMAN & GARY M. HOFFMAN, PATENT LITIGATION STRATEGIES HANDBOOK 247 n.101 (BNA Books) (2000) and accompanying text.

²⁶ James Y. Go, Comment, *Patent Attorneys and the Attorney-Client Privilege*, 35 SANTA CLARA L. REV. 611, 625-26 (1995) (noting that a clear division of authority existed).

²⁷ See *In re Spalding Sports Worldwide*, 203 F.3d 800, 802 (Fed. Cir. 2000).

²⁸ *Id.* The patent at issue was United States Patent No. 5,310,178 for a basketball with a polyurethane cover. *Id.* *Spalding Sports* had sued *Wilson Sporting Goods* for patent infringement. *Id.*

²⁹ *Id.* at 802 n.2.

³⁰ *Id.* at 802-03. Specifically, the magistrate judge held,

[I]t does not appear that *Spalding*’s legal department addressed the products patentability at a patent committee meeting or took any action on the information contained in the document itself. For all the court knows, the document was meant primarily as an aid in completing the patent application rendering the attorney a mere “conduit” to the [P]atent [O]ffice. *Id.* (emphasis added).

³¹ See *Spalding & Evenflo Cos. v. Wilson Sporting Goods Co.*, No. 97-30725-MAP, 1999 U.S. Dist. LEXIS 21966 (D. Mass. June 9, 1999) (order granting *Wilson*’s motion to compel production of the invention record). *Spalding & Evenflo* changed its name to *Spalding Sports Worldwide* effective September 1, 1998. *Spalding*, 200 F.3d at 802 n.1.

The holding led to a petition to the Federal Circuit for a writ of mandamus directing the district judge to vacate the magistrate's order to produce the invention record.³²

A. The Scope of Attorney-Client Privilege in the Federal Circuit

The Federal Circuit addressed the question of whether the attorney-client privilege applied to the invention record.³³ Spalding focused its argument around the fact that the preparation of the record was for the purpose of seeking legal advice.³⁴ Spalding contended that even though the invention record contained technical information, its purpose was to aid in making an initial patentability determination and then in preparing a patent application.³⁵

In the end, the Federal Circuit decided for Spalding.³⁶ In agreeing with the United States Supreme Court that attorney-client privilege is determined on a case-by-case basis,³⁷ the Federal Circuit determined that the 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."³⁸ The *Spalding* opinion first made the basic determination that the document was, in fact, a communication to an attorney, as it was submitted to the corporate legal department.³⁹ Next, the court found credible a declaration of Spalding's in-house patent counsel that, as a matter of policy, the patent attorneys

³² *Spalding*, 200 F.3d at 803.

³³ *Id.* at 805.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.* (citing *Upjohn Co. v. United States*, 449 U.S. 383, 396 (1981)).

³⁸ *Id.* The court cited *Genentech, Inc. v. U.S. Int'l Trade Comm'n*, 122 F.3d 1409, 1415 (Fed. Cir. 1997) (citing *Am. Standard v. Pfizer*, 828 F.2d 734, 745 (Fed. Cir. 1987)) to support its definition of the "central inquiry." *Spalding*, 200 F.3d at 805.

³⁹ *Spalding*, 200 F.3d at 805.

referred to invention records to make patentability determinations.⁴⁰ Therefore, invention records are privileged as long as they are provided to an attorney “for the purpose of securing primarily legal opinion, or legal services, or assistance in a legal proceeding.”⁴¹

B. What Communications are Privileged in Light of Spalding?

Spalding generates two obvious questions: (1) What is privileged? and (2) What can practitioners do to protect the privilege? Several courts have recently interpreted *Spalding*.⁴² The court for the Northern District of Illinois examined *Spalding* less than a month after the Federal Circuit handed down the opinion.⁴³ The holding of *McCook Metals v. Alcoa, Inc.* exemplifies the confusion *Spalding* left in its wake. The Illinois District Court held that while draft patent applications are privileged, technical communications made in pursuit of such an application are not.⁴⁴

The client should not have to worry about arranging technical data in a non-revealing manner before communicating it to the attorney. The holding of *McCook Metals* is inexplicable in light of the fact that, while not all technical data communicated to the patent attorney will make its way into a publicly accessible patent application file, all the information in a patent application communicated to the PTO will be publicly available. Therefore, the client has a more reasonable expectation of confidentiality with respect to technical data transmitted to the

⁴⁰ *Id.*

⁴¹ *Id.* (citing *Knogo*, 213 U.S.P.Q. at 940.) The court also recognized that *Knogo* rejected the “mere conduit” theory. *Id.* The opinion also cited Florida *ex rel.* Florida Bar v. Sperry, 373 U.S. 379, 383 (1963) for its proposition that the preparation and prosecution of patent applications constitutes the practice of law. *Spalding*, 200 F.3d at 805-06.

⁴² Mass. Eye and Ear Infirmary v. QLT Phototherapeutics, Inc., 167 F. Supp. 2d 108 (D. Mass. 2001) (granting privilege to technical documents); Softview Computer Products Corp. v. Haworth, Inc., 58 U.S.P.Q. 2d 1422 (E.D.N.Y. 2000) (holding that privilege is not automatically eliminated because communication contains technical data, but still allowing discovery of some documents because they were not intended to seek legal advice or be confidential); Transonic Sys., Inc. v. Non-Invasive Med. Tech., 192 F.R.D. 710 (D. Utah 2000) (following *Spalding*).

⁴³ See *McCook Metals v. Alcoa Inc.*, 192 F.R.D. 242 (N.D. Ill. 2000).

⁴⁴ *Id.* at 252.

attorney to prepare an application over the actual draft of the application, yet the draft is privileged and the communications are not. One could infer that the *McCook Metals* court stumbled over the distinction between communications and the facts present in the communication. The communication is privileged but the facts are not.

*Smithkline Beecham Corp. v. Apotex Corp.*⁴⁵ rejected an invitation to limit *Spalding* only to invention records.⁴⁶ Six months later, the same district court as in *McCook Metals* found several documents privileged, including “reports of technical information or results of tests requested by attorneys . . . said to involve assessments of patentability, or provide information underlying legal advice for the protection of patents . . . and described as prepared in order to allow attorneys to assess patentability and sift information to prepare applications.”⁴⁷ It is becoming apparent that, after *Spalding*, to ensure technical data is privileged, it should be provided with an explicit request for legal advice or in direct response to a request for legal advice.⁴⁸

A post-*Spalding* article suggests that invention disclosure records (which include technical data) should be clearly labeled as privileged and specify that the information is being provided for the purposes of securing legal opinions, services or legal assistance.⁴⁹ The information should always be submitted directly to the attorney.⁵⁰ The evaluators of the invention disclosure record should always focus on patentability or related legal issues over

⁴⁵ *Smithkline Beecham Corp. v. Apotex Corp.*, No. 98-C-3952, 2000 WL 1310668 (N.D. Ill. Sept. 13, 2000).

⁴⁶ *Id.* at *5. *But see* *Fordham v. OneSoft Corp.*, No. CIV.A.00-1078-A, 2001 WL 641759 (E.D. Va. Nov. 6, 2000) (limiting *Spalding* to invention records and allowing discovery of confidential draft patent applications).

⁴⁷ *Id.* at *4.

⁴⁸ *See, e.g.*, *Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92, 105 (S.D.N.Y. 2002) (sustaining a claim of privilege with respect to scientific reports, data and analyses prepared at the clear request of counsel for the purpose of soliciting legal advice).

⁴⁹ *See* Robert Crouse, *Invention Record May Be Protected*, TRIANGLE BUS. J., July 28, 2000, at 18, available at 2000 WL 1776607.

⁵⁰ *Id.*

business issues involving competitors or market penetration.⁵¹ Another treatise suggests doing away with the traditional boilerplate confidentiality statement many lawyers now place on every communication.⁵² Instead, the author suggests using such a disclaimer only when confidentiality is truly intended for two reasons. One, it will actually alert the attorney and recipient of the communication of the sensitive nature of the document.⁵³ Two, the attorney can point to a clear intention of confidentiality since the language is not part of a boilerplate communication scheme.⁵⁴ Although Spalding certainly made it easier for technical documents to retain the attorney-client privilege, the practitioner is still taking a risk when receiving or transmitting purely technical data. Taking similar precautions to those listed above may serve to lessen that risk.

⁵¹ *Id.*

⁵² Ethan Horwitz, Patent Litigation: Procedure and Tactics, vol. 1 § 5.01[4], at 5-20 (2000).

⁵³ *Id.*

⁵⁴ *Id.*