Privilege Of IP Opinions Under The Common Interest Doctrine

J. Michael Martinez de Andino
Thomas Bradshaw

The common interest privilege will keep matters confidential between IP parties —so long as they take some precautions.

THE COMMON INTEREST DOCTRINE is "an exception to the general rule that the attorney-client privilege is waived upon disclosure of privileged information with a third party." *Katz v. AT&T Corp.*, 191 F.R.D. 433, 436 (E.D. Pa. 2000); *Corning Inc. v. SRU Biosystems, LLC*, 223 F.R.D. 189, 190 (D. Del. 2004). The common interest doctrine can thus maintain privilege of intellectual property ("IP") opinions and other privileged documents that are disclosed to third parties in certain circumstances. This article describes the background of the common interest doctrine and outlines how to best protect the privilege of an IP opinion that may be disclosed to a third party.

COMMON INTEREST BASICS • When a company seeks to acquire title or an interest in intellectual property owned by another company, it typically requests all information material

J. Michael Martinez de Andino is a partner with Hunton & Williams LLP, in Richmond. **Thomas Bradshaw** is an associate with the firm's Washington, D.C. office.

to such acquisition. If the owning company has a privileged IP opinion, it faces a dilemma. Disclosing the legal opinion can satisfy its duty to disclose all material information, provide information helpful to the transaction, and reduce diligence costs of a receiving party who might otherwise commission a costly and unduly duplicative legal opinion. On the other hand, disclosure typically waives a privilege that would otherwise protect the information from discovery in a subsequent litigation. Waiver can be particularly costly if the privileged information reveals damaging information such as knowledge of a potentially infringed patent of a patentee plaintiff.

Fortunately, under the common interest doctrine, "parties with shared interest in actual or potential litigation against a common adversary may share privileged information without waiving their right to assert the privilege." *Katz* supra, 191 F.R.D. at 437 (E.D. Pa. 2000); *Thompson v. Glenmede Trust Co.*, 1995 WL 752443, at *4 (E.D. Pa. Dec. 19, 1995); *Miron v. BDO Seidman, LLP,* 2004 U.S. Dist. LEXIS 22101 (E.D. Pa. Oct. 19, 2004). Parties having "an identical legal interest with respect to the subject matter of the communication" may share information without waiving privilege. *Duplan Corp v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1164 (D. S.C. 1974); Eric K. Steffe et al., *The Common Interest Doctrine and Intelectual Property Due Diligence,* 24 Biotech. L. Rep. 1, 2 (Feb. 2005). Under the doctrine, a party's disclosure of privileged information to another entity may remain privileged under the common interest doctrine if the receiving party has a sufficient community of legal interest with the disclosing party. The doctrine expands the application of the attorney-client privilege to specific types of third party disclosures beyond the context of actual litigation. The applicability of the doctrine, however, will depend on the nature of the relationship between the parties at the time the information is shared. *"The Common-Interest Doctrine and Intellectual Property Due Diligence,"* Eric K. Steffe et al., 24 Biotech. L. Rep., supra, at 5.

COMMON INTEREST DOCTRINE CASE LAW • Unfortunately, the case law provides few clear safe harbors for protecting intellectual property opinions disclosed to third parties. As discussed below, some courts maintain privilege of documents disclosed to third parties, while others find waiver in similar circumstances. See also GTE Directories Serv., Corp. v. Pacific Bell Directory, 135 F.R.D. 187, 191 (N.D. Cal. 1991) (noting that "[t]he legal boundaries which define the scope of the 'common interest' rule are by no means well defined").

Hewlett-Packard Co. v. Bausch & Lomb Inc.

In *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 115 F.R.D. 308 (N.D. Cal. 1987), Bausch & Lomb disclosed its patent attorney's opinion letter concerning the validity and possible infringement of Hewlett-Packard's patent to a potential purchaser of a business division. In maintaining the privilege of the letter, the district court for the Northern District of California applied a two-part test prescribing that communications to non-parties can maintain privilege "if the parties have a common legal interest, such as where they are co-defendants or are involved in or anticipate joint litigation…. The key consideration is that the nature of the legal interest be identical, not similar, and be legal, not solely commercial." *Hewlett-Packard*, 115 F.R.D. at 309; *Union Carbide v. Dow Chem.*, 619 F. Supp. 1036, 1047 (D. Del. 1985); *Duplan Corp.*, supra, 397 F. Supp. at 1172 (D. S.C. 1974). The court found that at the time of disclosure, while the defendant and prospective purchaser did anticipate "likely" litigation in which they would have a common legal interest, the court could not find that joint litigation was specifically anticipated. Thus, it relied on policy considerations:

"Holding that this kind of disclosure constitutes a waiver could make it appreciably more difficult to negotiate sales of businesses and products that arguably involve interests protected by laws relating to intellectual property. Unless it serves some significant interest courts should not create procedural doctrine that restricts communication between buyers and sellers, erects barriers to business deals, and increases the risk that prospective buyers will not have access to important information that could play key roles in assessing the value of the business or product they are considering buying." *Id.* at 311.

The court also pointed to the common parties' efforts to keep the privileged information strictly confidential. *Id.* In spite of the plaintiff's potentially substantial interest in disclosure, the court found the balance of interests to favor privilege. *Id.* at 309, 312.

Britesmile, Inc. v. Discus Dental Inc.

In *Britesmile, Inc. v. Discus Dental Inc.,* 2004 U.S. Dist. LEXIS 20023, at *9 (N. D. Cal. 2004), the Northern District of California applied the same business promotion rationale to maintain the privilege of a patent opinion provided by defendant counsel's to a patent holder who was selling patented technology to defendant. *Id.* The court concluded that the defendant and patent holder "share a common legal interest in the issue of whether the technology that [patent holder] sold to Discus was patentable and whether it infringed any patent. They also share a common business interest in the sale of the technology." *Id.* Citing Hewlett-Packard, the court warned that requiring disclosure of the privileged information could potentially chill similar transactions. *Id.* at *9-10.

Johnson Electric North America Inc. v. Mabuchi North America Corp.

In Johnson Electric North America Inc. v. Mabuchi North America Corp., 1996 U.S. Dist. LEXIS 5227, at *8 (S.D.N.Y. Apr. 18, 1996), patent owner Johnson Electric sought documents disclosed by Mabuchi's attorney to an attorney of a Mabuchi's distributor, which was distributing potentially infringing products purchased from Mabuchi. The district court for the Southern District of New York applied an expansive view of privilege that covers "communications made by the client or his lawyer to a lawyer representing another in a matter of common interest." *Id.* at *8. In finding a common interest between Mabuchi and its customer, the court noted that the parties were "de facto allies" because they both faced a threat of liability if Johnson prevailed on its infringement theories. *Id.* at *10. Although this form of privilege is typically invoked in a litigation context, the court noted, "the common-interest principle does not require that both, or indeed either, of the communicants be parties to a litigation." *Id.* at *11.

Tenneco Packaging Specialty and Consumer Products, Inc. v. S.C. Johnson & Son, Inc.

In *Tenneco Packaging Specialty and Consumer Products, Inc. v. S.C. Johnson & Son, Inc.,* 1999 U.S. Dist. LEXIS 15433, at *1 (N.D. Ill. Sept. 9, 1999), the district court for the Northern District of Illinois preserved the privilege of an infringement opinion of the patent and product at issue. The opinion was disclosed to the defendant during an asset purchase negotiation. The court found a common legal interest, noting "corporations have a community of interest when they have an identical legal interest with respect to the subject matter of [the privileged] communication." *Id.* at *7-8. In maintaining the privilege of the opinion, the court noted the "substantial steps" taken to ensure that the opinion would remain confidential. *Id.* at *8. In this case, the discloser "showed the opinion to a limited number of [defendant's] representatives, and then only after they acknowledged that disclosure was subject to a confidentiality agreement." *Id.*