

4-1-2009

The Monster in the Closet: Declawing the Inequitable Conduct Beast in the Attorney-Client Privilege Arena

Alexis N. Simpson

Follow this and additional works at: <https://readingroom.law.gsu.edu/gsulr>

 Part of the [Law Commons](#)

Recommended Citation

Alexis N. Simpson, *The Monster in the Closet: Declawing the Inequitable Conduct Beast in the Attorney-Client Privilege Arena*, 25 GA. ST. U. L. REV. (2009).

Available at: <https://readingroom.law.gsu.edu/gsulr/vol25/iss3/1>

This Article is brought to you for free and open access by the Publications at Reading Room. It has been accepted for inclusion in Georgia State University Law Review by an authorized editor of Reading Room. For more information, please contact mbutler@gsu.edu.

THE MONSTER IN THE CLOSET: DECLAWING THE INEQUITABLE CONDUCT BEAST IN THE ATTORNEY-CLIENT PRIVILEGE ARENA

INTRODUCTION

The monster rearing its ugly head in the nightmares of patent practitioners¹ goes by the name of “inequitable conduct”—and it has been sinking its claws into practitioners all too frequently in recent decades.² Inequitable conduct occurs when a patentee, his attorney, or anyone associated with the prosecution of the patent, breaches his duty of candor and good faith by affirmatively misrepresenting or failing to disclose material information to the United States Patent and Trademark Office (PTO).³ “A charge of inequitable conduct typically arises as a defense to patent infringement. A defendant will allege that a plaintiff’s patent is unenforceable because of improprieties carried out during the patent’s prosecution.”⁴

A finding of inequitable conduct has potentially devastating and far-reaching consequences for the patentee and the prosecuting patent

1. “Patent practitioners” include patent attorneys and patent agents (technically qualified non-lawyers) who draft and prosecute patent applications before the U.S. Patent & Trademark Office (PTO), have passed the patent bar examination, and have obtained licenses from the PTO. *See* 37 C.F.R. §§ 11.6, 11.7, 11.9, 11.10 (2007). This term has generated some controversy, and some question whether the attorney-client privilege should extend to patent agents. *See generally* Arnold D. Litt et al., Comment, *The Patent Practitioner Attains Majority: An Examination of the Attorney-Client Privilege and Work Product Rule As They Pertain to the Patent Attorney and Agent*, 4 SETON HALL L. REV. 531 (1972–1973). That inquiry is outside of the scope of this Note.

2. *See, e.g.*, Thomas L. Irving et al., *The Inequitable Conduct “Plague” in U.S. Patent Litigation*, IP LAW & TECH. PROGRAMME (2006) available at <http://www.finnegan.com/files/PDFs/200902041002333521848news1385.pdf> (noting that “[f]or almost the last [twenty] years, ‘the habit of charging inequitable conduct in almost every major patent case has [been] an absolute plague’”) (internal citations omitted); Andrea Kamage and Deborah Sterling, *The Patent Plague: Inequitable Conduct Findings Are on the Rise, with No End in Sight*, IP L. & BUS. Aug. 2005 at 28 (noting that “[t]here’s no end in sight for the profusion of inequitable conduct charges” and even though “the inequitable conduct plague might be less creepy than a pack of locusts, it’s no less bothersome to those affected.”).

3. 37 C.F.R. § 1.56 (2007); *see also* GFI, Inc. v. Franklin Corp., 265 F.3d 1268, 1273 (Fed. Cir. 2001) (“prov[ing] inequitable conduct in the prosecution of a patent requires evidence of affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive”) (citation omitted).

4. Kamage, *supra* note 2; *see also* Dippin’ Dots, Inc. v. Mosey, 476 F.3d 1337, 1345 (Fed. Cir. 2007).

attorney.⁵ Because an inequitable conduct charge involves the patent attorney's intent, the patentee may wish to call the attorney who prosecuted the patent to testify at trial.⁶ Unfortunately, when the patent attorney testifies about his intent (or lack thereof) to deceive the PTO during the prosecution of the patent at issue, that testimony may waive attorney-client privilege.⁷

Attorney-client privilege waiver in the context of inequitable conduct remains chaotic. Many district courts fumble with which law to apply;⁸ even when the courts choose the right law for attorney-client privilege in inequitable conduct cases, they inconsistently construe the scope of the waiver, compromising fairness and predictability.⁹ That uncertainty defeats the privilege's purpose; as Justice Rehnquist stated, “[a]n uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.”¹⁰

Further complicating matters, patent law has entered a major state of flux. The United States House of Representatives ratified a major patent reform bill in 2007,¹¹ two patent reform bills were under consideration in the United States Senate in 2008,¹² the Supreme

5. See discussion *infra* Part I.A.

6. See, e.g., *GFI*, 265 F.3d at 1273; *Murata Mfg. Co. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252, *2, 6 (N.D. Ill. Mar. 8, 2007); *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 15 U.S.P.Q.2d (BNA) 1673, 1679–80 (D. Del. 1990).

7. See discussion *infra* Part I.B.2.b.

8. See discussion *infra* Part II.A.1.

9. See discussion *infra* Part II.A.2.c.

10. *Upjohn Co. v. United States*, 449 U.S. 383, 393 (1981) (striking down a district court's test—basing availability of attorney-client privilege upon whether a corporation's officer played a “substantial role” in deciding and directing the corporation's legal response—because it was difficult to apply and caused “disparate decisions,” revealing its unpredictability).

11. Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Christopher Faille, *Patent Reform Clears Hurdle*, HEDGE WORLD DAILY NEWS, 2007 WLNR 17684327 (Sept. 10, 2007). “The U.S. House of Representatives on Friday [Sept. 7] approved a sweeping patent law reform bill, in response to the concerns raised by industry groups that intellectual property claims and resulting litigation have become a bottleneck for innovation and growth. The vote was 220–175.” *Id.*

12. GovTrack.us, *S. 1145; Patent Reform Act of 2007*, available at <http://www.govtrack.us/congress/bill.xpd?bill=s110-1145> (noting that S. 1145 was introduced in 2007 by Senator Patrick Leahy (D-Vt) and placed on the Senate Legislative Calendar in January of 2008 for consideration by the Senate); Patent Reform Act of 2008, S. 3600, 110th Cong. (2008) (proposed by Senate Minority Whip Jon Kyl (R-Az) in September of 2008, and specifically offering ideas for reform in the arena of

Court has granted certiorari and reversed an unusually high number of patent cases appealed from the Court of Appeals for the Federal Circuit,¹³ and the PTO is proposing to revamp its rules to significantly shift the burden from its examiners back onto patentees and their attorneys.¹⁴ The first set of new PTO rules, promulgated in August of 2007 and originally slated to become effective November 1, 2007, met with a last-minute preliminary injunction and were found to exceed the scope of the PTO's rulemaking authority.¹⁵ Another new set of PTO rules, directly related to the duty of disclosure,¹⁶ were proposed by the PTO in 2006 and will become effective if approved.¹⁷ Now, with patent law in flux, and the new duty of disclosure rules hovering on the horizon, the perfect storm exists for litigation in inequitable conduct cases to run amuck.

This Note will address three main topics. Part I will provide a general primer on the patent law rules for inequitable conduct cases, including when attorney-client privilege is implicated, when it is waived, and how courts determine the relevant choice of law in those cases.¹⁸ Part II will analyze the inconsistency in the federal courts'

inequitable conduct) available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:s3600is.txt.pdf.

13. See, e.g., *Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109 (2008), *rev'g* 453 F.3d 1364 (Fed. Cir. 2006); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), *rev'g* 414 F.3d 1366 (Fed. Cir. 2005); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), *rev'g* 119 Fed. Appx. 282 (Fed. Cir. 2005); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), *rev'g* 427 F.3d 958 (Fed. Cir. 2005).

14. See Robert Hulse, *New Rules for U.S. Patent Applications*, MONDAQ, 2007 WLNR 16534630 (Aug. 24, 2007).

15. *Tafas v. Dudas*, 511 F. Supp. 2d 652, 656–57 (E.D. Va. 2007) (issuing a preliminary injunction, halting the implementation of the PTO's promulgated rules); *Tafas v. Dudas*, 541 F. Supp. 2d 805, 806 (E.D. Va. 2008) (finding the "rules promulgated by PTO were substantive rules, and thus exceeded scope of the PTO's rulemaking authority").

16. Dorothy R. Auth, *Patent Application Disclosure Requirements and Inequitable Conduct for Failure to Disclose*, 26 IPL NEWSLETTER 1, 1 (No. 3, Spring 2008); John Gladstone Mills et al., *Information Disclosure (Prior Art) Statements and Proposed Rules Modifying Information Disclosure Statement (IDS) Practice Before the USPTO*, PAT. L. BASICS § 13:19, pt. IV (Oct. 2007); see also 71 Fed. Reg. 38808 (July 10, 2006).

17. Some consider those rules drastic enough to warrant fleeing patent work altogether. See, e.g., Steven M. Nipper, *New USPTO IDS Regulations a Litigator's Dream???????*, <http://inventblog.com/2007/08/new-uspto-ids-regulations-a-litigators-dream.html> (Aug. 9, 2007) (lamenting that because "[t]he patent system is under massive attack from all three branches of government: judicial (KSR), legislative (the bogus 'patent reform' bill) and executive (this IDS rule and the continuation rule, out of the PTO)[.] [i]t's time to start getting out of the patent prosecution business") (last visited Mar. 6, 2009).

18. See discussion *infra* Part I.

application of whether attorney-client privilege is implicated when an attorney testifies against a charge of inequitable conduct, highlighting how courts across the United States apply the scope of that waiver unevenly; Part II will also address whether classifying an attorney as a fact witness under Rule 30(b)(6) of the Federal Rules of Civil Procedure—governing testimony of designated corporate representatives—allows testimony in defense of inequitable conduct charges without implicating attorney-client privilege.¹⁹ Part III will propose possible solutions for the inequities caused by the inconsistent application of the scope of the attorney-client privilege waiver, from legislative solutions modifying the new information disclosure statement rules, to judicial solutions creating more consistent, predictable interpretations of the attorney-client privilege waiver, to litigation strategies aimed at helping attorneys and clients cope with the uncertainties in the meantime.²⁰

I. BACKGROUND

A. *Inequitable Conduct*²¹

“A patent may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or deceive the [patent] examiner, fails to disclose material information or submits materially false information to the PTO during prosecution.”²² This duty extends to “[e]ach individual associated with the filing and prosecution of a patent application,” including the attorneys writing and prosecuting the patent before the PTO.²³ All individuals associated with the

19. See discussion *infra* Part II.

20. See discussion *infra* Part III.

21. Inequitable conduct is considered a type of “fraud upon the PTO,” a somewhat antiquated term in this context. See *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1346 (Fed. Cir. 2007).

22. *Id.* at 1345 (citations omitted).

23. 37 C.F.R. § 1.56(a), (c) (2007). Inequitable conduct does not apply to attorneys litigating the patent in court, but only to attorneys or agents writing the patent applications and communicating with the PTO (referred to as “patent prosecution” rather than “patent litigation”). Generally, the attorney prosecuting the patent differs from the attorney litigating the patent in court.

patent's filing must disclose, *inter alia*, all known prior art²⁴ and other information likely to affect the PTO's decision to grant the patent.²⁵

Currently, one primary method for disclosing information to the PTO includes filing a document called an Information Disclosure Statement (IDS).²⁶ Under the current rules, practitioners prepare an IDS by, *inter alia*, listing out all patents or other documents that they know may be material to the pending prosecution and, subject to limitations required by law, send it to the PTO—along with copies of the documents—to satisfy the duty of disclosure.²⁷ A failure to satisfy this duty adequately constitutes inequitable conduct.²⁸ An IDS may list hundreds of references, many of which could be in foreign languages that may or may not be fully translated.²⁹ Under the new disclosure rules proposed by the PTO, the list in the IDS would be limited to twenty items; any items submitted in excess of twenty would require an accompanying explanation of the relevance of the item to the new invention.³⁰ This new twist could make it even more important to iron out the kinks in the attorney-client privilege waiver issue for inequitable conduct cases.³¹

A successful claim of inequitable conduct also requires proof of intent to deceive.³² Intent cannot be presumed, and cannot be established where “the applicant did not know of the undisclosed

24. BLACK'S LAW DICTIONARY 106 (7th ed. 1999) (defining “prior art” as information “publicly known, used by others, or available on the date of invention to a person of ordinary skill in an art, including what would be obvious from that knowledge”). “The U.S. [PTO] and courts analyze prior art before deciding the patentability of a comparable invention.” *Id.* See also 35 U.S.C. § 102 (2000 Supp. II 2002).

25. 37 C.F.R. § 1.56 (2007) (governing the duty of disclosure).

26. *Id.* §§ 1.56, 1.97, and 1.98 (2007).

27. *Id.*

28. *Id.* § 1.56.

29. See generally Dennis Crouch, *Prepare for the New IDS Rules* (Oct. 20, 2007), <http://www.patentlyo.com/patent/2007/10/prepare-for-the.html> (“In some cases, extensive pre-filing prior art searches reveal dozens (if not hundreds) of prior art references that are all then submitted to the PTO for review.”) (last visited Oct. 29, 2007).

30. Auth, *supra* note 16; Stephen Schreiner, *Patent Office Treatment of Financial Matters*, 123 B.L.J. 660 (2006).

31. See Nipper, *supra* note 17.

32. *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007).

information . . . , did not know of the materiality of the omission or misstatement, or the applicant's omission or error 'did not result from an intent to mislead the PTO.'"³³ More recently, the intent to deceive inquiry has seemingly relaxed, and some courts now find inequitable conduct in cases where the attorney simply lacked a good-faith reason for failure to disclose, effectively shifting the burden of proof to practitioners.³⁴

A finding of inequitable conduct has potentially devastating and far reaching consequences for a patentee, including (1) rendering the entire patent unenforceable,³⁵ (2) forcing the patentee to pay the opponent's attorney's fees in an infringement suit,³⁶ and (3) leading to liability under the antitrust laws, Federal Trade Commission Act, or securities laws.³⁷ It may also stigmatize the attorney—regardless of whether the claim of inequitable conduct succeeds—and may “lead to disciplinary proceedings against the attorney at the PTO and before his or her state bar.”³⁸

In one case, a district court found the defendant's former attorney had committed inequitable conduct as part of its analysis invalidating

33. Lisa A. Dolak, *The Inequitable Conduct Doctrine: Lessons from Recent Cases*, 84 J. PAT. & TRADEMARK OFF. SOC'Y 719, 722 (2002) (citations omitted); see also *Dippin' Dots*, 476 F.3d at 1345 (stating that courts, inferring intent to deceive from circumstances and facts surrounding an applicant's overall conduct, do not require “smoking gun evidence”) (citations and quotations omitted).

34. *Compare Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1235 (Fed. Cir. 2007) and *Kamage, supra* note 2 with *M. Eagles Tools Warehouse, Inc. v. Fisher Tooling Co., Inc.*, 439 F.3d 1335, 1335 (Fed. Cir. 2006) and *Irving, supra* note 2, at 1 (noting a series of Federal Circuit cases from February and March of 2006 that “appear to offer a path towards ‘healthy’ living; a path leading away from an absolute liability standard . . . and at long last toward reasonability, more properly taking into account the complexities of patent preparation and prosecution”). See also Cameron K. Weiffenbach, *Implications of Praxair v. ATMI*, IP.Law360.com, http://ip.law360.com/print_article/79672 (Jan. 14, 2009) (highlighting the inconsistent and fluctuating application of inequitable conduct standards by the Federal Circuit in the latter part of 2008).

35. Unenforceability is a defense to liability for patent infringement. 35 U.S.C. § 282 (2000 & Supp. II 2002); see also *Dippin' Dots*, 476 F.3d at 1338; *Mech. Plastic Corp. v. Rawlplug Co.*, 14 U.S.P.Q.2d (BNA) 1058, 1061 (S.D.N.Y. 1989) (“[T]o set up a disincentive for shirking this duty to disclose, courts have permitted defendants to assert, as a defense to a claim of patent infringement, that the patent in suit is unenforceable by reason of the applicant's ‘inequitable conduct’ in dealings with the PTO.”).

36. 35 U.S.C. § 285 (2000) (allowing for an award of attorney's fees in exceptional cases).

37. 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.03 (2007); see also *Dippin' Dots*, 476 F.3d at 1346.

38. Jerry Cohen, *Ethical Issues in Intellectual Property*, in INTELL. PROP. PRAC. § 12-3 (2004).

the defendant's patent.³⁹ Although the court mentioned the attorney *by name*—potentially impacting his reputation and his liability—the Federal Circuit found the denial of the attorney's motion to intervene proper because he “lack[ed] a substantial legal interest in the underlying litigation.”⁴⁰ The Federal Circuit, though affirming the refusal to allow the attorney to intervene, addressed the merits of the case, saying that “there appears to be some force to [the attorney's] argument on the merits.”⁴¹ It is upon this backdrop of inequitable conduct, with high stakes for patentees and attorneys, where the attorney-client privilege waiver analysis begins.

B. A General Overview of Attorney-Client Privilege and Its Waiver in the Patent Context

When a prosecuting patent attorney testifies in defense of a charge of inequitable conduct, the court must determine (1) the appropriate choice of law for analyzing attorney-client privilege; (2) whether attorney-client privilege is implicated; (3) if attorney-client privilege is implicated, whether a waiver has occurred; and (4) if a waiver has occurred, what is the scope of that waiver.⁴² Before exploring the relevant cases in depth,⁴³ some background on the applicable choice of law and the rules of attorney-client privilege is in order.⁴⁴

1. Choice of Law

When analyzing attorney-client privilege and its waiver in inequitable conduct cases, courts must determine whether to apply the law of the regional circuit or the law of the Court of Appeals for the Federal Circuit, which governs substantive issues of patent law.⁴⁵

39. *Nisus Corp. v. Perma-Chink Sys., Inc.*, 421 F. Supp. 2d 1084 (E.D. Tenn. 2006), *aff'd in part by* 497 F.3d 1316 (Fed. Cir. 2007).

40. *Nisus*, 497 F.3d at 1322.

41. *Id.*

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

43. *See* discussion *infra* Part II.

44. *See* discussion *infra* Part I.B.1–2.

45. *Spalding*, 203 F.3d at 803.

The Federal Circuit will apply regional circuit law to procedural issues that are not themselves substantive patent law issues so long as they do not (1) “intimately involve[] . . . enforcement of [a] patent right, . . . (2) bear an essential relationship to matters committed to [its] exclusive control by statute, or (3) clearly implicate the jurisprudential responsibilities of th[e] court in a field within its exclusive jurisdiction.”⁴⁶

In *In re Spalding Sports Worldwide, Inc.*, the Federal Circuit held that determining whether privilege attaches to a communication in a case of inequitable conduct is governed by the law of the Federal Circuit because it touches on substantive issues of patent law.⁴⁷ However, once a court has determined that the attorney-client privilege is implicated, the question of whether or not the patentee waived that privilege is a matter of regional circuit law because the issue of privilege waiver is merely procedural.⁴⁸ District courts had some trouble determining which law to apply after *Spalding*. Even after the Federal Circuit attempted to further clarify the choice of law dilemma in *Fort James Corp. v. Solo Cup Co.* by specifically holding that the Federal Circuit “applies the law of the regional circuit . . . with respect to questions of attorney-client privilege and waiver of attorney-client privilege”; in inequitable conduct cases,⁴⁹ district courts *still* routinely misapply the law.⁵⁰

46. *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1272 (Fed. Cir. 2001) (citation omitted); *see also Spalding*, 203 F.3d at 803.

47. *Spalding*, 203 F.3d at 803–04. After a lower court found attorney-client privilege waiver and ordered production of an invention record, patentee sought relief with the Federal Circuit. *Id.* The Federal Circuit held the invention record subject to attorney-client privilege, which was neither waived nor pierced by the crime-fraud exception to attorney-client privilege waiver. *Id.* In this case, the court articulated the appropriate standard for choice of law. *Id.* *See also* Matthew R. Rodgers, Comment, *Patent Law: Attorney-Client Privilege in Patent Litigation: Did the Federal Circuit Go Far Enough with In re Spalding Sports Worldwide?*, 55 OKLA. L. REV. 731, 740–43 (2002).

48. *See, e.g., GFI*, 265 F.3d at 1272 (holding that regional circuit law governs waiver by disclosure of privileged material); *In re Pioneer Hi-Bred Int’l, Inc.*, 238 F.3d 1370, 1374 (Fed. Cir. 2001) (holding that regional circuit law governs privilege); *In re Regents of Univ. of Cal.*, 101 F.3d 1386, 1390 n.2 (Fed. Cir. 1996) (holding that regional circuit law governs privilege); *Dorf & Stanton Commc’n, Inc. v. Molson Breweries*, 100 F.3d 919, 922–23 (Fed. Cir. 1996) (holding that regional circuit law governs discovery orders and waiver).

49. *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1344–46 (Fed. Cir. 2005).

50. *See* discussion *infra* Part II.A.1.

2. *Attorney-Client Privilege in the Patent Context*

Attorney-client privilege is the oldest privilege under common law regarding confidential communications.⁵¹ “Deeply rooted in public policy, and playing a ‘vital role’ in the administration of justice, it remains one of the most carefully guarded privileges and is not readily to be whittled down.”⁵² Litigants may potentially abuse the waiver of attorney-client privilege in inequitable conduct cases, using it as a ‘tactic’ to garner privileged information from their opponents.⁵³

Inequitable conduct charges appear in almost every case because inequitable conduct is the magic bullet, capable of destroying an entire patent in one fell swoop.⁵⁴ Moreover, it creates negative equities, permitting the accused infringer to paint the patentee black. The natural consequence forces the patentee to decide how to defend the case; the patentee can pull his punches and preserve the privilege or waive privilege and pray the scope of the waiver is reasonable. Thus, the scope of attorney-client privilege waiver, and the scope of the compelled disclosure, raise substantial issues of fairness to the parties.⁵⁵

a. *Determining When Attorney-Client Privilege Is Implicated*

The Federal Rules of Evidence provide that the law of privileges “shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience.”⁵⁶ Attorney-client privilege generally protects communications between attorneys and clients from compelled disclosure. It applies to any communication satisfying the following

51. *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981).

52. *Murata Mfg. Co. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252 at *4 (N.D. Ill. Mar. 8, 2007) (internal citations omitted).

53. See *Rodgers*, *supra* note 47, at 749 n.148 and accompanying text.

54. See discussion *supra* Part I.A.

55. See discussion *infra* Part II.A.2.c.

56. FED. R. EVID. 501; see also FED. R. EVID. 502 (enacted in late 2008 and limiting waiver of attorney-client privilege for inadvertent disclosures and disclosures made in state proceedings, while giving teeth to court orders and party agreements governing the scope of the waiver).

elements: it must be “(1) a communication (2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client.”⁵⁷

b. Determining Whether the Attorney-Client Privilege Is Waived in Inequitable Conduct Cases

“The attorney-client privilege belongs to the client, who alone may waive it.”⁵⁸ When a prosecuting patent attorney testifies in defense of an inequitable conduct charge, a waiver may occur if the attorney discloses any privileged communications between the attorney and client.⁵⁹ In reality, courts often find waiver whether or not the testifying attorney specifically mentions any communications with the client; it seems sufficient for the attorney to put his state of mind at issue, thereby waiving privilege for any documents tending to support or refute his testimony.⁶⁰ Thus, the waiver is implied by conduct.⁶¹ Once an attorney begins making statements that could only be refuted by documentation subject to attorney-client privilege, courts often require disclosure of those documents tending to support or refute the attorney’s statements. If, however, the attorney can testify as to his state of mind while pointing to non-privileged communications to substantiate his testimony, waiver may not occur.⁶² “‘Waiver’ in this broad sense follows from any conduct by the client that would make it unfair for him thereafter to assert the privilege.”⁶³

57. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 68 (2000).

58. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1372 (Fed. Cir. 2007).

59. *See, e.g.*, *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340 (Fed. Cir. 2005); *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 15 U.S.P.Q.2d (BNA) 1673, 1679 (D. Del. 1990); *Murata Mfg. Co. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252 *2 (N.D. Ill. Mar. 8, 2007).

60. *Gen. Elec.*, 15 U.S.P.Q.2d (BNA) at 1679. For a more detailed discussion, *see generally* Rodgers, *supra* note 47, at 752–59.

61. *See generally* *United States v. Ortland*, 109 F.3d 539, 543 (9th Cir. 1997); *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268 (Fed. Cir. 2001).

62. *See Murata Mfg.*, 2007 WL 781252 *6.

63. DENNIS D. PRATER ET AL., EVIDENCE: THE OBJECTION METHOD, 1013 (2d ed. 2002) (citing *United States v. Yerardi*, 192 F.3d 14 (1st Cir. 1999) (holding that “[t]he concept of waiver by conduct exists, but often amounts simply to a determination that the privilege holder’s conduct makes it unfair to allow subsequent assertion of the privilege”).

For example, if an attorney testifies that he had no knowledge of prior art, he likely waives his client's privilege to any documents possibly revealing his knowledge of prior art at the time.⁶⁴ The courts generally find waiver in those situations because of fairness,⁶⁵ and because of the desire to strictly construe the attorney-client privilege in favor of broad discovery.⁶⁶ "A mere denial of intent, without more, is insufficient to constitute a waiver."⁶⁷ What "more" is sufficient to waive attorney-client privilege remains less clear.⁶⁸ At this critical juncture patentees encounter a brick wall; this "more" defines the scope of the attorney-client privilege waiver in inequitable conduct cases, and district courts inconsistently apply the waiver's scope, even in cases with similar facts.⁶⁹ Once a court determines that a patentee has waived attorney-client privilege, the patentee may tremble with fear—and for good reason.

c. Defining the Scope of the Waiver When Attorney-Client Privilege Is Waived

True difficulty arises when determining the scope of the waiver. Once the court finds waiver of the attorney-client privilege, that waiver extends to "all communications pertaining to the subject

64. *Gen. Elec.*, 15 U.S.P.Q.2d (BNA) at 1679 (holding that because a party claiming privilege offered testimony regarding lack of intent, amounting to more than mere denial of intent, he therefore waived privilege). *But see Murata Mfg.*, 2007 WL 781252 at *5 (holding that "the mere fact that one's 'state of mind' becomes an issue in a case does not necessarily mean that the attorney-client privilege has been waived" but instead "the manner of proof involved . . . determines whether there has been a waiver").

65. *See, e.g., Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005) (supporting the proposition that "fairness dictates that a privilege holder 'cannot be allowed, after disclosing as much as he pleases, to withhold the remainder'" (citation omitted); *Ortland*, 109 F.3d at 543 (holding that when "a party raises a claim which *in fairness* requires disclosure of the protected communication, the privilege may be implicitly waived") (citation omitted); *Gen. Elec.*, 15 U.S.P.Q.2d (BNA) at 1679 (noting that when considering whether a client has waived privilege, the court looks to "considerations of fairness and consistency").

66. *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 237 F.R.D. 618, 621 (N.D. Cal. 2006).

67. *Starsight Telecast, Inc. v. Gemstar Dev. Corp.*, 158 F.R.D. 650, 653 (N.D. Cal. 1994); *see also Laser Indus. v. Reliant Techs., Inc.*, 167 F.R.D. 417, 446 (N.D. Cal. 1996).

68. *Genentech, Inc. v. Insmid Inc.*, 234 F.R.D. 667, 670–73 (N.D. Cal. 2006) (providing an excellent run-down on the law of attorney-client privilege waiver in inequitable conduct cases).

69. *See discussion infra* Part II.A.2.c. (discussing the scope of the waiver).

matter of the [already disclosed] communications,” and all courts recite this rule.⁷⁰ However, what exactly constitutes “subject matter” can vary broadly from jurisdiction to jurisdiction.⁷¹ The Federal Circuit does not use a bright line test to determine what constitutes the subject matter of the waiver of attorney-client privilege; rather, the court “weigh[s] the circumstances of the disclosure, the nature of the legal advice sought, and the prejudice to the parties of permitting or prohibiting further disclosures.”⁷² Uncertainty about the scope of the waiver effectively handcuffs patentees with an unpredictable waiver issue, which may cause a significant imbalance in trial.

C. FED. R. CIV. P. 30(b)(6) Fact Witnesses: What’s in a Name?

Rather than volunteering the prosecuting patent attorney as a witness in court when defending a charge of inequitable conduct, a patentee may designate the attorney as a Rule 30(b)(6) fact witness when opposing counsel seeks information relating to inequitable conduct claims.⁷³ This could theoretically occur without waiving privilege. Under this rule, titled “Depositions Upon Oral Examination,” a party may name an organization⁷⁴ as a deponent and request testimony on a limited subject matter “describe[d] with reasonable particularity.”⁷⁵ The organization so named must then appoint someone⁷⁶ to testify on matters “known or reasonably available to the organization.”⁷⁷ Testimony provided by a fact witness designated under Rule 30(b)(6) as the patentee’s representative is equally binding upon the patentee whether taking place in deposition

70. *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1273 (Fed. Cir. 2001); *Schofield v. United States Steel Corp.*, No. 2:04-CV-520-PRC, 2005 U.S. Dist. LEXIS 30471 at *8 (N.D. Ind. 2005).

71. See discussion *infra* Part II.A.2.c.

72. *Fort James Corp v. Solo Cup Co.*, 412 F.3d 1340, 1349 (Fed. Cir. 2005).

73. FED. R. CIV. P. 30(b)(6).

74. Here, an organization includes “a public or private corporation or a partnership or association or governmental agency.” *Id.*

75. *Id.*

76. The organization “shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf.” *Id.*

77. *Id.*

or trial.⁷⁸ “The testimony of such persons so designated is the testimony of the corporation.”⁷⁹ “If the corporation is a *party* to the litigation, *this testimony may be used at trial by an adverse party for any purpose.*”⁸⁰

In this instance, the party alleging inequitable conduct against the patentee could notice the deposition of the patentee requesting information on a particular topic—such as matters relating to the prosecution of the patent at issue—and the patentee would be required to designate a representative for deposition capable of speaking on the organization’s behalf on this topic.⁸¹ The patentee could then designate the prosecuting patent attorney to speak on the patentee’s behalf at deposition and perhaps eventually at trial.⁸² A mere designation as a 30(b)(6) witness does not waive privilege.⁸³ Could this designation allow the prosecuting patent attorney to testify about the underlying facts of the case without implicating any issues covered by the attorney-client privilege? Some cases indicate general support for this proposition.⁸⁴

Generally speaking, when invoking attorney-client privilege during a deposition in a Rule 30(b)(6) context, it is “frequently held to have been waived or inapplicable.”⁸⁵ Once again, fairness remains a key consideration: “[W]here invasion of the privilege is required to determine the validity of the client’s claim or defense and application of the privilege would deprive the adversary of vital information,” the

78. See John J. Barnhardt et al., *Use of Rule 30(b)(6) Depositions in Intellectual Property Litigation*, 74 J. PAT & TRADEMARK OFF. SOC’Y 683, 688 (1992).

79. *Id.*

80. *Id.*

81. FED. R. CIV. P. 30(b)(6).

82. See *Motley v. Marathon Oil Co.*, 71 F.3d 1547, 1550 (10th Cir. 1995).

83. In re *Pioneer Hi-Bred Int’l, Inc.*, 238 F.3d 1370, 1376 (Fed. Cir. 2001).

84. See, e.g., *Upjohn Co. v. United States*, 449 U.S. 383, 395 (1981) (stating that “[t]he privilege only protects disclosure of communications” and “does not protect disclosure of the underlying facts by those who communicated with the attorney”); *Pioneer*, 238 F.3d at 1376 (noting that “[t]he district court also suggested that offering corporate counsel to testify as a Rule 30(b)(6) witness on factual matters might have waived the privilege and any work product protection. We do not agree.”); *Motley*, 71 F.3d at 1552 (stating that mere designation of counsel as corporate representative for deposition under Rule 30(b)(6) does not waive attorney-client privilege).

85. Rodger L. Wilson & Steve C. Posner, *Questions Beyond the Scope: Defending Against the Fed. R. Civ. P. 30(b)(6) Sneak Attack*, 26 COLO. LAW. 87, 88 (1997).

privilege has been held to have been waived.”⁸⁶ Whether this designation provides a safer method for attorney testimony without waiver remains untested.

II. ANALYSIS

A. Attorney-Client Privilege Waiver in Inequitable Conduct Cases

1. Choice of Law: Eenie, Meenie, Miney, Moe

Federal Circuit law governs whether attorney-client privilege is implicated in an inequitable conduct case; however, once a court determines that the attorney-client privilege attaches, regional law governs whether that privilege has been waived.⁸⁷ The regional courts have misinterpreted the Federal Circuit’s holdings in multiple instances and held that Federal Circuit law governs waiver in this instance.⁸⁸ This misunderstanding may stem from the Federal Circuit’s lack of a “consistent conceptual framework” for choice of procedural law questions.⁸⁹ The Federal Circuit only applies its own law to cases of attorney-client privilege implicating substantive issues of patent law; whether substantive issues of patent law are implicated depends largely upon the court’s level of abstraction and does not always reference other cases in the same jurisprudence.⁹⁰ “The court should not create its own body of . . . law in one case and then defer to regional circuit . . . law in another” for cases implicating attorney-client privilege.⁹¹

86. *Id.* at 89 (citation omitted).

87. *See* discussion *supra* Part I.B.1.

88. *See, e.g.,* *Martin Marietta Materials, Inc. v. Bedford Reinforced Plastics, Inc.*, 227 F.R.D. 382, 391–92 (W.D. Penn. 2005); *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 237 F.R.D. 618, 623 (N.D. Cal. 2006).

89. *See generally* Sean M. McEldowney, Comment, *The “Essential Relationship” Spectrum: A Framework for Addressing the Choice of Procedural Law in the Federal Circuit*, 153 U. PA. L. REV. 1639, 1639 (2005).

90. *Id.* at 1668–69.

91. *Id.* at 1674.

This misunderstanding has created interesting results in the regional courts. For instance, in *Martin Marietta Materials, Inc. v. Bedford Reinforced Plastics, Inc.*, a Western District of Pennsylvania Court held that the question of waiver arising from reliance on counsel's advice as a reason for not disclosing prior art to the PTO was addressed under Federal Circuit law rather than regional circuit waiver law.⁹² Similarly, in *Leland Stanford Junior University v. Roche Medical Molecular Systems Inc.*, the Northern District of California Court held that when waiver turned on a patent applicant's submission of the material to the PTO, Federal Circuit law, rather than regional circuit law, would govern the waiver analysis.⁹³ This misinterpretation results in an interestingly circular application of the law: if the district courts apply Federal Circuit law, but the Federal Circuit applies regional circuit court law, whose law is really being applied?

In *Murata Manufacturing Co. v. Bel Fuse, Inc.*, a recent case from the Northern District of Illinois, the court did not even discuss choice of law; when listing applicable law for the case, the court cited cases from the Federal Circuit, the Third Circuit, the Sixth Circuit, the Seventh Circuit, the Northern District of Illinois, and the Northern District of California, forging a patchwork of law that a litigant could never anticipate before trial.⁹⁴ Similarly, in *Praxair, Inc. v. ATMI Inc.*, the District of Delaware failed to discuss choice of law, but loosely applied only District of Delaware law before appearing to come up with the scope of the attorney-client privilege waiver out of thin air.⁹⁵ In *Leland Stanford*, after a lengthy discussion highlighting the difficulty courts face in applying Federal Circuit precedent, a

92. *Martin Marietta Materials*, 227 F.R.D. at 391–92.

93. Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 237 F.R.D. 618, 623 (N.D. Cal. 2006).

94. *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252, at *6 (N.D. Ill. Mar. 8, 2007).

95. *Praxair, Inc. v. ATMI, Inc.*, 445 F. Supp. 2d 473 (D. Del. 2006), *aff'd by* 543 F.3d 1306 (Fed. Cir. 2008).

Northern District of California court determined that Federal Circuit law applied to waiver of attorney-client privilege.⁹⁶

Some cases indicate that it does not matter which law is applied because the law of the regional circuits is so similar to the Federal Circuit law that the “choice of law” issue is merely academic.⁹⁷ Digging deeper into the issue, the “choice of law” question is not merely academic because the scope of the subject matter of the waiver varies between the circuits—sometimes even varying *within* the circuit—and may weigh on whether an attorney should take the stand.⁹⁸ Because of this spectrum of interpretation for the scope of the subject matter waived by a voluntary disclosure, many cases include discussions about the appropriate choice of law.⁹⁹ One commentator even suggested that courts generally pay lip service to the standards articulated in *In re Spalding*, but then interpret the scope of the waiver in the same manner they had before *In re Spalding*.¹⁰⁰

Unfortunately, the choice-of-procedural-law debate for the Federal Circuit also surfaces in areas other than inequitable conduct.¹⁰¹ One commentator has proposed establishing a new framework for evaluating procedural law in the Federal Circuit.¹⁰² While a solution for this issue may not come immediately, this peculiar ingredient in the stew of attorney-client privilege waiver sets the stage for the unpredictability in the application of that waiver.

96. See *Leland Stanford*, 237 F.R.D. at 623 (involving communications between an attorney and the PTO).

97. See *In re Pioneer Hi-Bred Int'l, Inc.*, 238 F.3d 1370, 1374 n.3 (Fed. Cir. 2001) (“In any event, we would reach the same result applying Federal Circuit law.”).

98. See discussion *infra* Part II.A.2.c.

99. See discussion *supra* Part II.A.1.

100. Jonathan G. Musch, Note, *Attorney-Client Privilege and the Patent Prosecution Process in the Post-Spalding World*, 81 WASH. U. L.Q. 175, 197–200 (2003).

101. See generally McEldowney, *supra* note 89.

102. *Id.*

2. *Attorney-Client Privilege*

a. First Things First: When Should Attorney Testimony Implicate Attorney-Client Privilege

If a prosecuting patent attorney were to testify at trial, opposing counsel would attempt to elicit any type of information to show that the attorney had the knowledge and intent required to establish inequitable conduct.¹⁰³ Opposing counsel would likely ask questions about why the attorney failed to disclose the allegedly material information when prosecuting the patent. Assuming the attorney does not admit his ineptitude or intent to deceive the PTO, the testimony often falls into two major scenarios.

Imagine a scenario where the prosecuting patent attorney (A) is testifying under cross-examination by opposing counsel (O):

O: Why did you fail to disclose Document Y when prosecuting Invention X?

A: Because I did not think Document Y was material to the patentability of Invention X.

O: Why not?

A: Because [insert mental thoughts and impressions comparing the two documents].

A similar scenario follows:

O: Why did you fail to disclose Document Y when prosecuting Invention X?

A: I was never made aware of Document Y (so I had no duty to disclose it).

Should this type of testimony implicate attorney-client privilege in the first place? None of the information in the attorney's testimony

103. See, e.g., *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252 (N.D. Ill. Mar. 8, 2007).

explicitly mentions any communications between the attorney and the client. However, if a communication did exist between the client and attorney—assuming *arguendo* that the communication occurred between privileged persons, in confidence, and for the purpose of providing legal assistance—then this type of testimony would implicate attorney-client privilege.

This type of testimony by the attorney, disavowing any previous knowledge of the information or providing the attorney's subjective reasoning for failing to disclose the information, presents two problems. On its face, it appears very self-serving; this testimony, while opening the door to privilege waiver, likely has limited utility in the courtroom. Of greater concern to the court is the verifiability of those statements, an inquiry concerning waiver.¹⁰⁴

Further, from a public policy viewpoint, attorney-client privilege is designed to encourage “full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice.”¹⁰⁵ Extending the privilege to encompass this type of information—such as an attorney's mental impressions,¹⁰⁶ thoughts, and feelings when determining prior art materiality—does not further this policy on its face.

This point is of critical importance. If a court finds that attorney-client privilege is not even implicated, then it follows that the court should not find waiver of that privilege. If the court cannot find waiver of the privilege, then the court should not order the client to produce privileged documents on the same “subject matter.” The court thus never inquires into the scope of the waiver. That inquiry, however, causes the unpredictable disclosure results in most cases.¹⁰⁷

104. See discussion *infra* Part II.A.2.b.

105. *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981).

106. When discussing the attorney's mental impressions, questions of work-product immunity arise—a sibling issue weaving its way into the discussion in many cases. See FED. R. CIV. P. 26(b)(3)(B). Although work-product is similar to attorney-client privilege waiver, this Note does not address work-product.

107. See discussion *infra* Part II.A.2.c.

b. To Waive or Not to Waive: That Is the Question

When testifying to the substance of privileged communications, a party waives attorney-client privilege.¹⁰⁸ In *GFI, Inc. v. Franklin Corp.* an attorney testified about his state of mind, knowledge of prior art, and communication with the patentee, and on cross examination, he discussed his conversations with the inventor regarding the duty of disclosure in a previous trial.¹⁰⁹ Similarly, in the District of Delaware, a patent practitioner testified in deposition about communications with inventors regarding the materiality of a prior art reference in *Praxair, Inc. v. ATMI, Inc.*, and the court found waiver of attorney-client privilege to all communications between the inventors and practitioner.¹¹⁰ In those cases, the court found express attorney-client privilege waiver because the attorney actually testified about the substance of privileged communications, constituting a voluntary privilege waiver.¹¹¹

Courts often look at fairness when determining whether a waiver of attorney-client privilege has occurred.¹¹² This fairness analysis can lead to incongruous results, because fairness, like beauty, can be in the eyes of the beholder. From the perspective of the party claiming inequitable conduct, it would be unfair for the defending attorney to offer unverifiable, self-serving testimony without pointing to anything to substantiate the claims. From the perspective of the party defending the claim of inequitable conduct, it would be unfair to allow unchecked claims of inequitable conduct with costly and invasive discovery while handcuffing the prosecuting patent attorney with an uncertain waiver issue. Which perspective dominates?

The fairness inquiry weighs heavily in the courts' analysis. A court recently found that forcing a party to choose between defending itself (and waiving privilege) and opting not to testify (to preserve

108. *E.g.*, *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1273 (Fed. Cir. 2001).

109. *Id.*

110. *Praxair, Inc. v. ATMI, Inc.*, 445 F. Supp. 2d 473, 481 (D. Del. 2006) *aff'd by* 543 F.3d 1306 (Fed. Cir. 2008).

111. *See Praxair*, 445 F. Supp. 2d at 481.

112. *See discussion infra* Part II.A.2.b.

privilege) was an intolerable choice, analogous to proposing that one constitutional right should be given up to assert another:

If accepted, a defendant charged with inequitable conduct would find itself between Scylla and Charybdis: it would either have to waive its attorney client privilege in order to defend itself or concede liability in order to preserve the privilege, which would become valueless. In a constitutional context, the Supreme Court has said that a defendant in a criminal case cannot be forced to choose between asserting his Fifth Amendment privilege at the price of relinquishing his rights under the Fourth Amendment. The Court found it intolerable that one constitutional right should have to be surrendered in order to assert another. While the “benefit” to be given up—the attorney-client privilege—is not a constitutional right, it is one that lies at the heart of our adversary system.¹¹³

In *General Electric Co. v. Hoechst Celanese Corp.*, a District of Delaware case, counsel testified about his intent (or lack of intent) to defraud the PTO.¹¹⁴ The court found defendants could refute such testimony only by examining the communications because “[i]n light of [plaintiff]’s affirmative representations regarding [the attorneys]’ state of mind, and in light of the record reflecting contemporaneous communications between [the attorneys], fairness requires that defendants be allowed to uncover the foundations for [plaintiff]’s assertions.”¹¹⁵ In this case, the prosecuting patent attorney offered testimony denying any recollection of the prior art at issue, and stated that even if he had remembered it, he would have considered it irrelevant.¹¹⁶ The court found partial privilege waiver because a party testifying about its state of mind at the time of alleged privileged

113. *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252, at *3 (N.D. Ill. Mar. 8, 2007) (citations omitted).

114. *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 15 U.S.P.Q.2d (BNA) 1673, 1678–80 (D. Del. 1990).

115. *Id.* at 1679–80.

116. *Id.* at 1679.

communications must allow the opposition to discover the privileged communications or point to non-privileged communications instead.¹¹⁷

Similarly, in *Starsight Telecast, Inc. v. Gemstar Development Corp.*, the Northern District of California found partial waiver of attorney-client privilege when the prosecuting patent attorney testified that he disclosed all material prior art he was aware of to the PTO.¹¹⁸ There, the court found it would be unfair to deny opposing counsel the opportunity to discover other relevant facts with respect to the same subject matter, and found the attorney's statements amounted to more than a mere denial of intent.¹¹⁹ The Western District of Pennsylvania also found waiver of attorney client privilege because the plaintiff's attorney testified about his understanding of his duty to disclose, materiality of prior art, and the role attorney-client communications played in the decision not to disclose.¹²⁰ In those three cases, the courts found waiver of attorney-client privilege out of fairness to the party alleging inequitable conduct, finding it unfair to allow the prosecuting patent attorney to testify at length without allowing the opposing party to view the information tending to support or refute his statements.

Compare those cases with *Murata Manufacturing. Co. v. Bel Fuse, Inc.*, where, after Murata claimed the prior art was "so immaterial to the patentability of the patent-in-suit that the inventors and Murata's attorneys never even considered disclosing it" in depositions and interrogatories, the court found no waiver occurred.¹²¹ In *Murata*, the court found that the non-privileged, publicly-available communications between the PTO Examiner and Murata's attorneys provided sufficient evidence to opposing counsel to avoid waiver.¹²²

117. *Id.* at 1679–80.

118. *Starsight Telecast, Inc. v. Gemstar Dev. Corp.*, 158 F.R.D. 650, 655–56 (N.D. Cal. 1994).

119. *Id.* at 653–54.

120. *Martin Marietta Materials, Inc. v. Bedford Reinforced Plastics, Inc.*, 227 F.R.D. 382, 397 (W.D. Penn. 2005).

121. *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252, *1 (N.D. Ill. Mar. 8, 2007).

122. *Id.*

With such extremely similar facts, why do those two cases have such opposite results after applying the same standards of fairness? In *Murata*, the attorney was testifying as a 30(b)(6) fact witness; whether this designation resolves those seemingly incongruous results remains unclear.¹²³

Even absent designation as a 30(b)(6) witness, some courts still find no waiver occurs from attorney testimony defending a charge of inequitable conduct. For instance, in *Laser Industries Ltd. v. Reliant Technologies, Inc.*, a Northern District of California court found no waiver when a prosecuting patent attorney made “a lengthy declaration” about his knowledge of prior art and denied any fraud or inequitable conduct.¹²⁴ In the Southern District of Texas, in *Derrick Manufacturing Corp. v. Southwestern Wire Cloth, Inc.*, no waiver of attorney-client privilege was found after an attorney denied recalling any discussion of prior art with the patentee during the deposition.¹²⁵ The common thread in *Murata*, *Laser*, and *Derrick* is the courts’ perspective on fairness; in each case, the courts focused on the unfairness of forcing a party to choose between defending itself and waiving privilege, or pulling its punches to avoid waiver.¹²⁶

One argument supporting waiver in those cases involves a less invasive discovery method, like disclosure subject to *in camera* review;¹²⁷ while less invasive, this is still extremely costly and burdensome on the producing party. Some may even argue that no true harm occurs unless the patent practitioner lied when testifying, since documents ordered for production ought to be subject to review *in camera* and disclosed only if contradictory.¹²⁸ Courts may consider whether a party alleging inequitable conduct seeks an *in camera*

123. See discussion *infra* Part II.B.

124. *Laser Indus., Ltd. v. Reliant Tech., Inc.*, 167 F.R.D. 417, 446 (N.D. Cal. 1996).

125. *Derrick Mfg. Corp. v. Sw. Wire Cloth, Inc.*, 934 F. Supp. 813, 817 (S.D. Tex. 1996).

126. See generally *Murata*, 2007 WL 781252 at *1; *Derrick*, 934 F. Supp. at 817; *Laser*, 167 F.R.D. at 446.

127. An *in camera* review takes place either in the judge’s chambers or in the courtroom with “all spectators excluded.” BLACK’S LAW DICTIONARY 763 (8th ed. 2004).

128. See, e.g., *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 15 U.S.P.Q.2d (BNA) 1673, 1680 n.4 (D. Del. 1990).

review or outright disclosure.¹²⁹ The fairness to the parties, as well as the burden and cost associated with the discovery, support a narrow construction of attorney-client privilege waiver in inequitable conduct cases.

Another fairness issue raised by courts involves improper use of inequitable conduct allegations as a routine litigation tactic.¹³⁰ Unfortunately, raising the specter of inequitable conduct in a patent infringement suit is often nothing more than a litigation tactic aimed to either gain broad discovery or force the adversary to pull its punches.¹³¹ Patent infringement suits may be filed as “an excuse to determine *everything* the opponent is pursuing as far as obtaining patents”¹³² and “[a]ny willingness by a court to force production of technical information will only further this improper and unethical practice”¹³³ For particularly abusive cases, Rule 11 sanctions—allowing sanctions for parties who knowingly file papers or misrepresentations with the court—are available but rarely used.¹³⁴ “Alleged infringers do risk Rule 11 sanctions for a completely false charge of inequitable conduct, but this hardly constitutes an appropriate risk to balance the drawbacks to patent owners.”¹³⁵ One commentator suggests that providing for strict liability and costs to the losing party, rather than relying on Rule 11 sanctions, would be a more appropriate and fair process.¹³⁶

Essentially, if an attorney testifies against a charge of inequitable conduct, whether a court finds attorney-client privilege waiver depends largely upon where the suit is brought and the particular

129. See, e.g., *Genentech, Inc. v. Insmid Inc.*, 234 F.R.D. 667, 671 (N.D. Cal. 2006).

130. See discussion *supra* Part I.B.2

131. See Dolak, *supra* note 33, at 719 (“Its popularity as a litigation issue—some might say ‘tactic’—should come as no surprise, given the advantages and potential dividends enjoyed by infringement defendants who raise inequitable conduct challenges.”).

132. Rodgers, *supra* note 47, at 749; *accord id.* at 749 n.148 (“Plain logic dictates that a plaintiff is far more likely to bring an infringement suit if it knows, win or lose, it has a good chance of discovering valuable technical information from a competitor.”).

133. *Id.* at 749 (citing FED. R. CIV. P. 37 (providing sanctions for abusive discovery practices)).

134. FED. R. CIV. P. 11; see also Glenn E. Von Tersch, Note, *Curing the Inequitable Conduct Plague in Patent Litigation*, 20 HASTINGS COMM. & ENT. L.J. 421, 422 (1998).

135. Von Tersch, *supra* note 134, at 426–27.

136. *Id.* at 440–41.

biases and policy preferences of that court. Allowing this type of inconsistent application of the attorney-client privilege waiver defeats the purpose of the privilege, placing a patentee at an intolerably high risk of loss if choosing to have an attorney testify at trial.

c. The Scope of the Waiver: The Devil Is in the Details

In general, once a court finds waiver of the attorney-client privilege, the waiver extends to all communications between the attorney and the client on the same subject matter.¹³⁷ “The underlying rationale is one of fairness: ‘A party cannot disclose only those facts beneficial to its case and refuse to disclose, on the grounds of privilege, related facts adverse to its position.’”¹³⁸ Just as the waiver of attorney-client privilege is inconsistently applied, the scope of that waiver is also uncertain.

Some courts find the scope of the waiver very broad. For instance, in one Federal Circuit case, an attorney testified, *inter alia*, about his state of mind, knowledge of prior art, and communications with the patentee.¹³⁹ The court found a broad waiver of privilege, forcing the production of otherwise privileged information;¹⁴⁰ this information included discussions of prior art before the PTO interview that were questioned in the case. Although the court order was very broad, it was *in camera* rather than outright disclosure; the information was disclosed because it directly contradicted the testimony given by the attorney.¹⁴¹ Similarly, a Northern District of California court ruled that by submitting declarations to the PTO to support a petition to correct inventorship in patent, and in those declarations the applicant disclosed privileged communications with its prosecution patent counsel, the patentee had waived attorney-client privilege and any

137. *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1273 (Fed. Cir. 2001).

138. *Starsight Telecast, Inc. v. Gemstar Dev. Corp.*, 158 F.R.D. 650, 653 (N.D. Cal. 1994); *accord* FED. R. EVID. 502.

139. *GFI*, 265 F.3d at 1273.

140. *Id.*

141. *See generally id.*

work-product immunity; that subject matter waiver extended to the entire subject of inventorship.¹⁴²

The Ninth Circuit construes subject matter more narrowly, however,¹⁴³ “holding that disclosure of information resulting in the waiver of attorney-client privilege constitutes a waiver ‘only as to communications about the matter actually disclosed.’”¹⁴⁴ Even further down the spectrum, the Second Circuit has held that disclosing privileged communications does not waive the privilege “beyond those matters actually revealed.”¹⁴⁵ In each of those cases, and in each circuit, the scope of the waiver follows similar fairness trends as the waiver issue. Courts that frequently find waiver based on fairness often construe the scope of that waiver broadly, whereas courts that are more hesitant to find waiver construe the scope of the waiver narrowly.¹⁴⁶ Again, the ideological split breeds confusion and the very type of unpredictability courts should seek to avoid.

B. 30(b)(6) Witnesses

Precious few cases explore the impact of attorney testimony as a 30(b)(6) witness in defense of inequitable conduct on attorney-client privilege waiver. One recent case supports testimony on deposition as a 30(b)(6) fact witness without privilege waiver.¹⁴⁷ In this Northern District of Illinois case, Murata sued Bel Fuse for infringement; Bel Fuse asserted, among other things, inequitable conduct, alleging Murata’s attorneys intentionally withheld one highly material patent.¹⁴⁸ In response to the inequitable conduct charge, Murata designated a Murata patent attorney as a 30(b)(6) witness, and in those depositions (and others), Murata claimed that the patent was

142. Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 237 F.R.D. 618, 625 (N.D. Cal. 2006).

143. *Id.* at 622–23 (citing *Chevron Corp. v. Pennzoil Co.*, 974 F.2d 1156, 1162 (9th Cir. 1992)).

144. *Id.* (citing *Chevron*, 974 F.2d at 1162).

145. *In re Von Bulow*, 828 F.2d 94, 103 (2d Cir. 1987).

146. *Id.*; see also discussion *supra* Part II.A.2.b.

147. *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252, at *2 (N.D. Ill. Mar. 8, 2007).

148. *Id.* at *1.

immaterial.¹⁴⁹ In fact, Murata claimed it was “so immaterial to the patentability of the patent-in-suit that the inventors and Murata’s attorneys never even considered disclosing it.”¹⁵⁰ Bel Fuse then sought disclosure of documents related to this issue, to which Murata claimed attorney-client privilege.¹⁵¹ Bel Fuse argued both express waiver (for admitting the existence of privileged communications) and implied waiver (for putting its state of mind as to key elements of the inequitable conduct at issue) by designating the attorney as a fact witness, but the court held no waiver and denied Bel Fuse’s motion to compel.¹⁵² The court found no express waiver because Murata’s witness admitted the existence of privileged communications, but did not disclose the contents of such communications.¹⁵³ The court found no implied waiver.¹⁵⁴ This is an interesting result in light of our earlier hypothetical:

Bel Fuse: Why didn’t you disclose the patent X when prosecuting the patent Y?

Murata: Because the patent X was so immaterial to the patentability of the patent Y that we never even considered disclosing it.

Bel Fuse: Why not?

Murata: Because of [“comparisons between the two devices, and a history of prior art references made in prosecution of patents for related types of devices”].¹⁵⁵

This is almost directly opposite from the outcome in *General Electric* where the court found the attorney-client privilege waived when state of mind was at issue and the only way to refute the attorney’s assertions was by examining otherwise protected

149. *Id.*

150. *Id.*

151. *Id.*

152. *Id.* at *1, 8.

153. *Murata*, 2007 WL 781252, at *1, 8.

154. *Id.* at *8.

155. *Id.* at *6.

communications.¹⁵⁶ Rather, in *Murata*, the court stated that “[i]t is the manner of proof involved that determines whether there has been a waiver”; the court found “nothing to suggest that resolution of this issue will require examination of confidential communications.”¹⁵⁷

If not looking to confidential materials, what materials can support or refute those allegations? According to the *Murata* court, most of those responses can be tested by referring to non-privileged information in the “public record of the patent prosecution.”¹⁵⁸ The court highlighted the absurdity of a holding to the contrary:

Any defendant in any patent infringement case could destroy its opponent’s attorney-client privilege by leveling the rather common charge of inequitable conduct before the patent office. The plaintiff denies the charge, thereby placing its state of mind at issue and *voila*, the defendant has access to the plaintiff’s privileged communications with its counsel. It would happen in every case.¹⁵⁹

In 2001, the Federal Circuit discussed attorney-client privilege waiver in conjunction with Rule 30(b)(6), but the case did not involve inequitable conduct.¹⁶⁰ In *Pioneer*, the Federal Circuit stated:

The district court also suggested that offering corporate counsel to testify as a Rule 30(b)(6) witness on factual matters might have waived the privilege and any work product protection. We do not agree. . . . Counsel is often a fact witness with respect to various events, and may testify on deposition by the opposing party as to such matters without waiver. A different result would obtain, of course, if counsel were offered to testify as to privileged or protected matters and *might obtain if counsel were offered as a fact witness at trial by his client.*¹⁶¹

156. *Gen. Elec. Co. v. Hoechst Celanese Corp.*, 15 U.S.P.Q.2d (BNA) 1673, 1679–80 (D. Del. 1990).

157. *Murata*, 2007 WL 781252 at * 6.

158. *Id.* at *7.

159. *Id.* at *8.

160. *In re Pioneer Hi-Bred Int’l, Inc.*, 238 F.3d 1370, 1376 (Fed. Cir. 2001).

161. *Id.* (emphasis added). *Compare id.* (citing *Motley v. Marathon Oil Co.*, 71 F.3d 1547, 1552 (10th Cir. 1995) (“stating that mere designation of counsel as corporate representative for deposition pursuant

A different result may occur in those two situations because of the way the privilege was used. In a 30(b)(6) scenario, the patentee uses the privilege as a shield, preventing the opponent from probing into privileged matters during discovery. When an attorney is voluntarily called as a witness at trial, however, the attorney is using the privilege as a sword to make assertions to benefit the patentee while preventing the opponent from accessing information it may need to refute the patentee's assertions. This distinction, though untested, may tilt the fairness analysis toward the patentee, and may provide more favorable results.

III. PROPOSALS

A. *Legislative Proposals—The New IDS Rules: Be Afraid. Be Very Afraid.*

The current major changes in patent law—from their congressional, judicial, and PTO origins—should not be allowed to ripple into other areas of patent law and cause significant imbalances at trial.¹⁶² The proposed PTO rules are intended to increase efficiency in the patent application process, not hamstringing patent practitioners at trial, but that may be exactly what those rules may do.

Those proposed rules would put patent practitioners between a rock and a hard place. The attorney can limit the list to twenty items, running the risk of a charge of inequitable conduct if a court deems any of the items left off of the list to be an intentional, material omission.¹⁶³ Or, perhaps even worse, the attorney can prepare an

to [Rule] 30(b)(6) does not waive attorney-client privilege”) with *Leybold-Heraeus Tech., Inc. v. Midwest Instrument Co.*, 118 F.R.D. 609, 609–10 (E.D. Wis. 1987) (holding that “where patentee named two of its attorneys as witnesses, patentee waived attorney-client privilege with regard to documents which attorneys participated in, either as recipient of communication or communicator as to prior art or as to good-faith belief and validity of patents in question and good faith in maintaining lawsuits”).

162. See discussion *supra* INTRODUCTION.

163. See *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 475 F. Supp. 2d 970, 975 (C.D. Cal. 2007) (stating a withheld document may lead to a finding of inequitable conduct if the court determines the omission was intentional and material); 37 C.F.R. § 1.56 (2007).

explanation of the relevance of any references in excess of twenty, whereby those explanations enter the prosecution record and will make for easy targets during litigation.¹⁶⁴

If an attorney chooses the latter option and prepares explanations of the relevance of documents in excess of twenty submitted in an information disclosure statement, litigation over inequitable conduct may center even more closely on the attorney's discretion and subjective opinions of materiality, and it may be even more important for the attorney to actually get on the stand and testify, lest opposing counsel paint a nasty picture of intentional deceit and concealment.¹⁶⁵ Unleashing the litigation teams onto practitioners, while effectively handcuffing practitioners with an unpredictable waiver issue, could cause a significant imbalance in trial; timely resolution of this issue is needed. The PTO should reconsider implementation of its proposed rules because of these unanticipated collateral effects.¹⁶⁶

B. Judicial Proposals: A New Standard to Even the Playing Field

Because of the unintended consequences rippling through patent law from other areas, the Federal Circuit needs to take a new look at the scope of the waiver of attorney-client privilege in the context of inequitable conduct.¹⁶⁷ The Federal Circuit has recently shown some willingness to revisit attorney-client privilege waiver, but in the context of asserting an "advice of counsel" defense.¹⁶⁸ It should now continue this trend by clearly articulating a narrow scope of the subject matter waived by allowing an attorney to testify in defense of a charge of inequitable conduct, and force courts to take those documents into *in camera* review rather than allow immediate

164. See Nipper, *supra* note 17; see also Auth, *supra* note 16, at 1.

165. Litigators salivate at the prospect of litigating under those new rules, some even calling them a "litigator's dream." Nipper, *supra* note 17 ("Joy! A litigator's dream! Think of all the 'inequitable conduct' and 'fraud' arguments that can be triggered by requiring the Applicant to comment on the prior art.>").

166. See Auth, *supra* note 16, at 1; Nipper, *supra* note 17.

167. See discussion *supra* INTRODUCTION.

168. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1365 (Fed. Cir. 2007).

disclosure to the opposing counsel.¹⁶⁹ This would maintain the sanctity of the attorney-client privilege,¹⁷⁰ would curb the abuses of using inequitable conduct as a mere litigation tactic to uncover research and development of patentees, and may stop the wildfire of inequitable conduct before it gets out of hand.¹⁷¹ Thus, in the future, when courts are faced with the illusive balancing test of fairness, the slight presumption would tilt toward the patentee, allowing for more consistent application of the fairness doctrine across the United States.

C. Practical Considerations During Litigation: Recommendations in the Meantime

Given the tremendous stakes of having the attorney testify—the scope of this waiver could be very broad, invasive, and expensive—and the lack of a bright line rule for determining the “subject matter” of the waiver,¹⁷² having the attorney testify in defense of inequitable conduct is extremely risky. Alternatives to minimize the risks associated with attorney testimony include attempting to resolve the scope of the waiver in advance, either by agreement with the other party¹⁷³ or by a motion to determine the scope of the waiver.¹⁷⁴ Those alternatives once failed to provide completely safe options—sometimes the scope of the waiver was reopened during trial by an opposing party, after the information in question had already been

169. See discussion *supra* Part II.A.2.b.

170. See generally *Murata Mfg. Co., Ltd. v. Bel Fuse, Inc.*, No. 03 C 2934, 2007 WL 781252 (N.D. Ill. Mar. 8, 2007) (insinuating that the current rules destroy the heart and soul of attorney-client privilege).

171. See discussion *supra* Part II.A.2.b.

172. *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1349–50 (Fed. Cir. 2005) (“There is no bright line test for determining what constitutes the subject matter of a waiver, rather courts weigh the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures.”).

173. *Starsight Telecast, Inc. v. Gemstar Dev. Corp.*, 158 F.R.D. 650, 650 (N.D. Cal. 1994); FED. R. EVID. 502(e).

174. See, e.g., *Dey, L.P. v. Ivax Pharm., Inc.*, 233 F.R.D. 567, 572 (C.D. Cal. 2005); *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, No. 04-Civ.-5316-(RMB)-(MHD) 2006 U.S. Dist. LEXIS 87096, at *16–17 (S.D.N.Y. Nov. 29, 2006).

disclosed.¹⁷⁵ However, under Rule 16(b)(5), courts have the discretion to enter orders encompassing “any agreements the parties reach for asserting claims of privilege or of protection” after production and now may be more inclined to address privilege disputes early in litigation.¹⁷⁶ This theme has been further codified in Rule 502, which now binds parties to their pre-trial agreements on waiver and limits waiver in one proceeding to only that proceeding.¹⁷⁷ Any movement toward more pretrial determinations of the scope of the waiver, whether by stipulation or by court order, would allow clients to enter into the privilege waiver arena with an understanding of the advantages and disadvantages of such waiver, and could restore the predictability missing in the current system.

Aside from stipulating ahead of time to the scope of the waiver, perhaps the safest avenue for a patentee may be to try to designate the patent prosecuting attorney as a 30(b)(6) fact witness. This may tip the presumptions of fairness toward the patentee, allowing for a narrower construction of attorney-client privilege waiver.¹⁷⁸ Although the case law suggests this possibility may exist, this relatively untested avenue remains risky, especially for the high stakes in litigation.¹⁷⁹

CONCLUSION

Attorney-client privilege waiver in the context of inequitable conduct is currently quite chaotic.¹⁸⁰ Many district courts are unsure of which law to apply; even when the courts can get the right choice of law for attorney-client privilege in inequitable conduct cases, the scope of the waiver is construed so inconsistently as to become nonsensical and abusive when viewed as a whole.¹⁸¹ Although it may

175. *See, e.g., Louis Vuitton*, 2006 U.S. Dist. LEXIS 87096.

176. FED. R. CIV. P. 16(b)(3)(B)(iv).

177. FED. R. EVID. 502.

178. *See discussion supra* Part II.B.

179. *Id.*

180. *See discussion supra* INTRODUCTION.

181. *See discussion supra* Part II.

be possible to have an attorney testify as a 30(b)(6) fact witness, this does not fully alleviate the problem.¹⁸² Now, with patent law in flux and the new information disclosure statement rules looming on the horizon, the perfect storm exists for litigation in inequitable conduct cases to run amuck.¹⁸³

The desperate need in this situation is for consistency. To get the district courts on the same page, the Federal Circuit should articulate a clear standard in favor of a narrow construction of attorney-client privilege waiver in inequitable conduct cases.¹⁸⁴ A narrow construction would be in the interests of fairness, prevent abuses to the system in litigation, and level the playing field given the new information disclosure statement rules.¹⁸⁵ Maybe then the patent practitioners could get a good night's sleep again.

Alexis N. Simpson

182. *Id.*

183. *See* discussion *supra* INTRODUCTION.

184. *See* discussion *supra* Part III.

185. *Id.*