

DOES RELIANCE ON ATTORNEY DILIGENCE WAIVE THE
ATTORNEY-CLIENT PRIVILEGE?¹

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I. Introduction

Until very recently, our answer would have been “Of course!” However, in Ginter v. Benson, Interference Nos. 105,142 and 105,193⁴ Ginter’s counsel took the position that it does not, and a panel of the Trial Section treated it as an open question!

II. The Relevant Facts in Ginter v. Benson

Ginter is a junior party that is relying on attorney diligence to establish priority. Ginter’s application is 786 pages long, and, so far, twelve U.S. patents have issued from continuations of the original Ginter application--without a terminal disclaimer ever having been filed.

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Ginter has relied on the monthly bills of the attorney who prepared the original Ginter application to establish attorney diligence. Those bills set forth the number of hours that that attorney worked on preparation of the Ginter application on many days during the relevant time period, but they do not indicate on what aspect of the massive disclosure he was working on on any given day. Also, they do not indicate how many hours he devoted to any other project on any given day during the relevant time period.

The attorney who prepared the Ginter application testified that he has no present recollection of either on what aspects of the disclosure he was working on any given day or on what other projects he was working on during the relevant time period.

Despite the facts that, according to his bills, on many work days during that period he worked on preparation of that application for only an hour or two and on several other work days during that period he did not work on that application at all, the attorney who prepared the Ginter application testified that, throughout the relevant time period, he made the preparation of the Ginter application his “highest priority.” Nevertheless, he also testified that it was his habit during that time period to work on work days for much more than an hour or two.

Drafts of the Ginter application prepared during the relevant time period and the attorney’s bills for other projects on which the attorney worked during the relevant time period apparently exist.

III. The Issues

Benson has sought production (so far unsuccessfully) of the drafts of the Ginter application prepared during the relevant time period and redacted versions (showing only the matter numbers and the number of hours worked on those matters on each day) of the

attorney's other bills during the relevant time period. Ginter has opposed production on the ground, inter alia, that the drafts and the other bills are protected under the attorney-client privilege. Benson has conceded that they were initially protected under the attorney-client privilege, but it has argued that Ginter waived the attorney-client privilege by relying on attorney diligence.

IV. What Judge McKelvey Wrote

In a non-precedential opinion for a three-judge panel also consisting of APJs Lee and Moore,⁵ SAPJ McKelvey wrote:

Benson's request for production of documents raises significant issues in the administration of interference cases.

Attorney diligence is often an issue in the priority phase of an interference. The institutional memory of the members of the board involved in interferences is that when attorney diligence is put in issue, a party will often offer, among other evidence, (1) testimony of the prosecuting attorney, (2) billing records, (3) letters and communications between the attorney and the inventor, including the invention disclosure sent to the attorney to start the application process, and (4) copies of draft specifications. Nevertheless, the attorney-client and the

⁵ Paper No. 89 in the '193 interference.

attorney-work product privileges apply in interference cases, albeit in most attorney diligence cases we have seen the privilege is waived.

A party seeking to prove attorney diligence (generally the diligent preparation of a patent application) bears the burden of proof (generally by a preponderance of the evidence). A party may elect to offer, as part of its proofs, communications between the prosecuting attorney and the inventor and/or drafts of patent application. On the other hand, a party may believe that it can prove reasonable attorney diligence without written communications between the attorney and the inventor and/or draft specification. Basically, the party makes a litigation choice with which it has to live.

To the extent that the party elects not [to] offer in evidence communications and/or drafts, those communications and/or drafts are generally subject to the attorney-client privilege. In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 53 USPQ2d 1747 (Fed. Cir. 2000). The real question will be whether the privilege is somehow waived by virtue of (1) the manner in which the communications and/or drafts are otherwise mentioned in testimony and other documents upon which the party relies

and (2) the specificity of any testimony concerning those communications and/or drafts.

In this case, upon consideration of Ginter's priority brief, it become apparent (Paper 27, page 251) that Ginter has presented alternative legal theories. First, Ginter alleges that it is first to conceive and first to reduce to practice. If so, it prevails on priority without any need to consider whether Ginter has proved reasonable attorney diligence. Second, Ginter alleges that it has "proved diligence from before the Senior party" (id.). At this point, we have no idea what date "before" may turn out to be.

What does all of this mean? While we hold that Ginter has failed to make out a prima facie case of reasonable attorney diligence for the time period 29 July through 24 August 1994, Ginter may prevail on other theories. On the other hand, Benson may determine, based on having now prevailed on a lack of reasonable attorney diligence for the time period 29 July through 24 August 1994, that it no longer needs the documents it seeks to have Ginter produce. Accordingly, Benson's motion will be denied without prejudice to renewal at some future date when it becomes apparent that the attorney diligence period

relied upon by Ginter is crucial to a decision in the interference. If Ginter prevails on the basis of having been first to conceive and first to have actually reduced to practice, diligence becomes a side show. On the other hand, if Ginter needs to establish reasonable attorney diligence for a period including the time period from 29 July to 24 August 1994, we have already ruled that it cannot on the basis of its priority brief. Thus, Benson need not present opposition evidence or argument with respect to the diligence issue for the time period 29 July through 24 August 1994 because we have decided that issue in Benson's favor in the interference.

Should it become necessary to re-file the motion, we expect the parties to fully brief us on the waiver issue. The issue is highly significant and deserves the best efforts of both counsel and the board. The parties are advised, that [sic] unlike courts, we do not have law clerks to conduct extensive research; all we do we do ourselves. Hence, the parties will be expected, if further briefing is necessary, to give us (and possibly our reviewing court) their best effort.

V. What Judge Lee Wrote

Concerning the attorney's other bills, Benson argued that the "interest of justice" standard of 37 CFR 41.150(a) was satisfied because Benson needed redacted copies of

those bills to impeach the attorney's testimony.⁶ However, Judge Lee denied Benson's motion,⁷ stating that:

Benson has not shown that the standard of reasonable diligence requires that an attorney work on a matter relatively "more" or "harder" than all or even just some other matters. Benson has also not shown that the standard of reasonable diligence requires that the matter at issue must be given the "highest priority" in the mind of the attorney.

VI. Comments

A. Re the Drafts of the Application

According to Smith v. Crivello, 215 USPQ 446, 451 (PTOBPAI 1982), "In order to satisfy the 'reasonable diligence' requirement of 35 USC 102(g), the work must ordinarily be directly related to a reduction to practice of the invention of the counts in issue." (Emphasis supplied.) But what does the "ordinarily" mean?⁸

⁶ Benson cited Moore's Practice - Civil (2004) § 26.41 (9)(a)(i) and Schwartz v. The New York City Off-Track Betting Corp., 1993 U.S. Dist. LEXIS 1469 (S.D.N.Y. 1993).

⁷ Paper No. 230 in the '142 interference.

⁸ Ginter cited Bey v. Kollonitsch, 806 F.2d 1024, 231 USPQ 967 (Fed. Cir. 1986), arguing that:

In that case, Bey was successful in establishing attorney diligence during the 41-day period prior

Also, how can the board tell whether or not any portion of the attorney's work was "directly related to a reduction to practice of the invention of the counts in issue" without seeing what he was working on at any given time during his preparation of the massive disclosure in issue?

B. Re the Other Bills

This case does indeed present the question of "How hard is hard enough." Benson does not argue that, in order to establish attorney diligence, Ginter must prove that its attorney was working on disclosures within the scope of the counts for ten (or

to the filing date of the involved Kollonitsch parent application by showing work on a group of 22 related patent applications. The 22 related patent applications are, of course, analogous to the single very large application of Ginter in the present case.²

²In Bey, sixteen of the related cases, each comprising 40 to 50 pages, were filed during the relevant time period. 806 F.2d at 1030, 231 USPQ at 972. Thus, the total number of application pages were in the same ball park as the 765 pages of the '107 patent application.

Benson thinks that Bey is in apposite because the court addressed only the issue of applying the attorney's diligence from several related applications when there is only *one* count. Here the issue is what diligence from one application was directed toward each of *several* counts.

even eight) hours of every work day, but does unexplained gaps lasting days at a time and one or two hour “work days” (at least on the application in question) establish reasonable diligence? In re Mulder, 716 F.2d 1542, 1545, 219 USPQ 189, 193 (Fed. Cir. 1983) (Rich, J.) (discussing a 37 CFR 1.131 declaration, not priority in an interference), strongly suggests (but does not hold) that it does not.

C. Re Waiver

Ginter’s attorney testified that the application was his “most important” matter and that he set aside other work to work on the Ginter application during the critical time period. However, Ginter only presented the time sheet records of the time spent on the application; nothing about other work the attorney did during that period. He also testified that “it was my intent to file, within a reasonable amount of time, patent applications directed to the inventions disclosed in the [Ginter] application. At no time during my involvement was the subject matter of these patents abandoned, but rather the subject matter was progressing toward issuance of patents in an organized and systematic way.” Accordingly, Benson believes that Ginter has put at issue the attorney’s other work and his intent. Is that not waiver?

The Federal Circuit held that the determination of the applicability of the attorney-client privilege for documents that would affect patent protection implicates substantive patent law and thus Federal Circuit law controls. In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 805, 53 USPQ2d 1747, 1750 (Fed. Cir. 2000), cf. Truswal Sys. Corp. v. Hydro-Air Eng’g Inc., 813 F. 2d 1207, 1212, 2 USPQ2d 1034, 1038 (Fed. Cir. 1987) (“[A] determination of relevance implicates the substantive law of patent validity and infringement. Hence, we look to Federal Circuit law.”). It is

hornbook law that the claim of attorney-client privilege to a document may be waived by the client. United States v. United Shoe Machinery Corp., 89 F. Supp. 357, 359, 85 USPQ 5, 6 (D. Mass. 1950). However, the Federal Circuit has only considered questions of privilege recently, there is little guidance from it on issues of waiver.

A Federal Circuit panel did conclude in GFI Inc. v. Franklin Corp., 265 F.3d 1268, 1272, 60 USPQ2d 1141, 1142 (Fed. Cir. 2001), that the issue of waiver of privilege is a non-patent issue and hence the law of the circuit court should be applied. In GFI, the question was whether there was waiver because the attorney testified in related case about his state of mind, knowledge of prior art, and communications with his client. Applying Fifth Circuit law, the panel found no error in the district court's finding of waiver. Id. Thus, the Federal Circuit will look to its sister circuits if the issue of waiver of the attorney-client privilege when the conduct, intent, competence and representation of applicant's attorney is questioned in an appeal coming to it from a district court in a sister circuit. However, the BPAI sits in the Federal Circuit's circuit--not in a sister circuit!

We believe that, in contrast, whether a holder of an attorney-client privilege has waived the privilege when it affirmatively raises an issue (either by way of a claim, counterclaim, or affirmative defense) that effectively can be disproved only through confidential attorney-client communications (often called "at issue" waiver) should implicate Federal Circuit law because it is a matter of substantive patent law whether issues raised by the actions of a client would "affect patentability."

There are three approaches to "at issue" waiver.

One approach is that, as a result of placing privileged documents “at issue” by filing a claim, all privileged documents related to the issue are automatically waived. See, e.g., Independent Productions Corp. v. Loew’s Inc., 22 F.R.D. 266, 277 (S.D.N.Y. 1958). A very old precedent indicates in reference to a 35 USC 146 proceeding⁹ that “an automatic waiver of the privilege does not occur when a patent controversy is presented.” Natta v. Hogan, 392 F.2d 686, 692, 157 USPQ 183, 187 (10th Cir. 1968). The Federal Circuit has also implied that the “automatic waiver” rule is not appropriate in appeals from other venues under its jurisdiction. Zenith Radio Corp. v. United States, 764 F.2d 1577, 1579 (Fed. Cir. 1985) (appeal from the Court of International Trade), and Afro-Lecon Inc. v. United States, 820 F.2d 1198, 1204-05 (Fed. Cir. 1987) (appeal from the GSA Board of Contract Appeals).

A second approach balances the need for discovery against the need for protecting secrecy. See, e.g., Black Panther Party v. Smith, 661 F.2d 1243 (D.C. Cir. 1981). However, that test is used in the context of the right to discovery versus protection of constitutional rights. In Black Panther Party, the issue was whether the court should compel disclosure of the plaintiff’s membership list. Black Panther Party, 661 F.2d at 1265 – 66. “Use of balancing tests to determine whether compelled disclosure is necessary is well established in the First Amendment context.” Id. at 1266. Rarely are First Amendment rights implicated in inference actions. Thus, this approach does not appear to be applicable to our field.

⁹ Note that this very old precedent dates from long before appeals in 35 USC 146 actions went to the Federal Circuit.

The third approach (upon which the Federal Circuit has looked favorably) to determining whether the holder of the privilege has waived the privilege is to determine whether the information is vital to the opponent's case. Afro-Lecon Inc., 820 F.2d at 1205, and Zenith Radio Corp., 764 F.2d at 1579-80. In its frequently cited opinion in Hearn v. Rhay, 68 F.R.D. 574 (E.D. Wash. 1975), a district court said that the holder of the privilege is treated as having waived the privilege if:

- (1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party;
- (2) through this affirmative act, the asserting party put the protected information at issue by making it relevant to the case; and (3) application of the privilege would have denied the opposing party access to information vital to his defense.¹⁰

In Zenith, the Federal Circuit said:

the *Hearn* test is the better reasoned approach because it avoids the pitfalls of either extreme: (1) the rigidity of the automatic waiver rule, which might permit discovery of items not vital to the movant's defense, and (2) the

¹⁰ 68 F.R.D. at 581.

indeterminacy of the balancing test and the possibility that it may deprive a party of information vital to his defense.¹¹

The Federal Circuit has *not* yet reached the issue of “at issue” waiver of attorney client privilege. However, the Federal Circuit has decided to move into the field of determining issues of attorney-client privilege. Determining whether privilege has been waived is a natural result of determining a priori whether privilege applies. Therefore, it is appropriate for the Federal Circuit to rule that issues of waiver of the attorney client privilege implicate substantive patent law and that, accordingly, Federal Circuit law controls.

¹¹ 764 F.2d at 1579.