

When Does Reliance on Attorney
Diligence Waive the Attorney-Client
Privilege?¹

By Charles L. Gholz²

I. Introduction

In July 2005, Messrs. Gholz and Kenneth D. Wilcox published an article in this journal entitled Does Reliance on Attorney Diligence Waive the Attorney-Client Privilege?³ In that article we discussed a decision in Ginter v. Benson, Int. Nos. 105,142 and 105,193 in which a panel of the trial section consisting of SAPJ McKelvey and APJs Lee and Moore, opinion by SAPJ McKelvey, acknowledged the importance of the question but ultimately declined to answer it. Now, in Ginter v. Benson,⁴ Int. No. 105,142, the same panel of the Trial Section, again in an opinion by SAPJ McKelvey, answered that question. Sort of.

II. Recap of the Relevant Facts at the Time of the Panel's First Decision

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

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³ 12 Intellectual Property Today No. 7 at page 36 (2005).

⁴ Charles Gholz, Michael Casey, Todd Baker, and Ken Wilcox represented Benson; Linda Thayer and Jerry Voight represented Ginter.

continuations of the original Ginter application--without a terminal disclaimer ever having been filed.

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 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. Additional, Subsequent Relevant Facts

In a decision on priority entered concurrently with the decision by a motions panel under discussion here, a merits panel consisting of APJs Martin, Lee, and Medley, opinion by APJ Martin, held that Benson had not proved a pre-filing date conception of the subject matter recited in any of the three counts⁵; that Ginter had proved pre-filing date conceptions of the subject matter recited in all three counts; but that Ginter had not proved a pre-filing date actual reduction to practice of the subject matter recited in any of the three counts. That left Ginter with a thirteen-day diligence period, which it attempted to cover by attorney diligence.

Despite the brevity of the period which Ginter had to cover, the merits panel held that Ginter had failed to prove attorney diligence--which arguably makes the motions panel's decision moot. However, the motion panel obviously lavished considerable care on its decision, and we wouldn't advise ignoring it in future cases raising this issue.

IV. What Judge McKelvey Wrote

A party seeking to prove reasonable attorney diligence, usually the preparation and filing of a patent application, generally bears the burden of proof of diligence by a preponderance of the evidence.

The party, in presenting its attorney diligence case, makes a "litigation decision or choice" whether it should or should not offer in evidence copies of any drafts which it may still have in its possession. If a party believes it can

⁵ Benson relied only on (1) its filing date in Sweden, which was prior to the amendment to 35 USC 104 permitting inventors who had made their inventions in Sweden to rely on inventive activities in Sweden and (2) an alleged conception document faxed to an attorney in the U.S. prior to its Swedish filing date.

establish attorney diligence without offering in evidence a copy of any draft, it is free to do so. Likewise, if a party elects to file copies of draft applications as part of its attorney diligence case, it also is free to do so. A party lives with its “decision or choice.”

* * * *

In response to our invitation, both parties suggests [sic; suggested] in one way or another the “law” which should apply to the issue of whether the privilege has been waived.

2. What “law” applies?

Our initial thought was that the Federal Circuit applies regional circuit law to certain non-patent “procedural” matters, including matters related to privilege, and perhaps we should do the same. On reflection, we think we missed the “boat.” We appreciate the effort by counsel to respond to our invitation. However, as will become apparent, we believe in the context of an interference proceeding before the board that there is no need to engage in a choice of regional circuit law.

* * * *

The “law applicable to this proceeding is not regional circuit “law.” Rather, we believe that we should apply the regulations prescribed by the Director independent of where (1) a party or witness “resides”, (2) a deposition is being taken or (3) the PTO “resides”.¹

¹ Whether a different discovery practice may apply (1) during judicial review by civil action under 35 U.S.C. § 146 or (2) attempts to enforce a subpoena issued under 35 U.S.C. § 24, is a matter we leave to the district court having jurisdiction over any proceeding.

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4. Resolution of the Benson motion to compel

Because the merits panel has determined that Ginter did not establish reasonable attorney diligence during the

critical period for which diligence must be shown, Benson's Revised Motion 12 seeking the production of draft applications to refute Ginter's assertion of diligence is moot and need not be decided.

In the alternative, if the issue of production of the draft applications is not moot, Benson can prevail only if it can establish that it is in the "interests of justice" within the meaning of 37 CFR § 41.150(c)(1) (2005) to compel production of the draft documents leading up to the filing of the benefit application. We hold that Benson has not made out a sufficient case within the meaning of the regulations.

(1)

Draft patent applications prepared by attorney Robert Faris and reviewed prior to 31 January 1995 would appear to have limited value in helping Benson "counter" Ginter's alleged reasonable diligence in the period from 31 January 1995 (which is prior to Benson's date) until 13 February 1995. Accordingly, it has not been shown that it would be in the interests of justice to order production of pre-31 January 1995 drafts even if those drafts were not covered by the attorney-client privilege.

* * * *

[W]e believe that our regulations should be interpreted to authorize, in a proper case, issuance of an order to compel discovery of attorney-client privileged material if the privilege has been waived. The burden of establishing any waiver is on the party filing a motion to compel. 37 CFR § 41.121(b) (2005). Whether the privilege has been waived necessarily will have to be made [sic; decided] on a case-by-case basis. In some instances, the "interests of justice" standard will dictate that the privilege has been waived and in others that it has not.

* * * *

The appropriate procedure is to analyze each case by making appropriate findings and applying our agency regulatory scheme to the facts[,] giving weight to court precedent as may be appropriate consistent with our regulations.

(4)

We proceed to an analysis the facts of this case.

Each member of this panel at one time or another practiced before the PTO, each preparing and filing patent applications. Hence, the panel is not without some knowledge of “how things work” on the outside. Moreover, we have a sympathetic attitude with respect to the difficult chore which a practicing attorney faces in preparing patent applications. Every time a patent application is filed[,] a draft has to be prepared. It is reviewed by someone, usually an inventor. In a particular case, an attorney might “get it right” the first time and there is only “one” draft which turns out to be the application, as filed. On other occasions, depending on the complexity of the invention and a host of other matters, it may take several drafts to achieve a description of the invention which is accurate. How many drafts might it take? It depends on the case. What emerges from this discussion is that patent attorneys draft applications all the time and inventors and other review those applications with the view to presenting a proper and complete application to the PTO.

In the case before us, the benefit applications turns out to be quite length (765 typewritten pages) and includes numerous drawings (146 pages of drawings). That there may have been numerous, including at least 10, drafts should surprise no one. But, the mere fact that there were as many as 10 drafts and that Ginter has chosen to make that fact known does not constitute a “waiver” of Ginter’s attorney-client privilege within the meaning of “interests of justice.” It is almost a given in this case, even without the testimony of attorney Robert Faris, that a draft application would have been (1) prepared, (2) circulated, (3) commented upon, (4) re-drafted, (5) re-circulated, (6) re-commented upon, etc. We are not surprised at the number of drafts. Testimony which confirms the obvious is hardly a basis upon which to hold that an attorney-client privilege has been waived.

Benson has not shown that Ginter specifically relied on any particular portion of any draft, i.e., any “substantive content” of the drafts. For example, Ginter has not put in evidence when the inventions of the counts first surfaced in the various drafts. [Exactly!]

* * * *

Benson’s argument includes the speculation that the various drafts may have included descriptions of other non-

related inventions [i.e., not related to the subject matter recited in the three counts--but presumably related to the subject matter recited in the count of the other interference and in the claims of the other twelve, non-involved applications]. There is no basis on the record for assuming that Benson's speculation is factually right or wrong. What is apparent is that Ginter has elected to make out its diligence case without putting in evidence copies of the drafts. As stated earlier, Ginter made a litigation choice. The merits panel has found that Ginter was not diligent. Ginter now lives with that result. Whether Ginter could have succeeded had drafts been put in evidence is something we cannot know.

* * * *

We note that the parties speculate as to factual scenarios which might or might not have surfaced if the drafts were to have been ordered "revealed." Our answer is that[,] if the drafts are covered by the attorney-client privilege (which we hold they are) and if the attorney-client privilege has not been waived (which we hold it has not), then any speculation or inference is irrelevant. Ginter's diligence case stood and fell on evidence Ginter elected to put in the record.

V. Comments

Counsel for Benson had many dark suspicions concerning why Ginter fought so hard to avoid disgorging those draft applications. For instance:

(1) Since the counts corresponding to the broadest claims in Ginter's application, we suspected that Mr. Faris had had an application in condition for filing with disclosure which would have supported those claims long before its actual filing date and that Ginter's assignee had made a conscious decision not to file until later in order to allow the market to ripen. If Benson had been able to prove that that suspicion was true, it would have given Benson a suppression or concealment argument under Lutzker v. Plet, 7 USPQ2d (PTOBPI 1987), *aff'd*, 843 F.2d 1364, 6 USPQ 1370 (Fed. Cir. 1987).

(2) Counsel for Benson also suspected that none of Mr. Faris’s work during those last thirteen days had anything to do with the subject matter recited in the counts, but instead related to the “improvements” recited in the claims of the other twelve patents. If Benson had been able to prove that that suspicion was true, Mr. Faris’s activities during those thirteen days presumably would have been irrelevant to proving diligence of the subject matter recited in the counts. We all spend twenty-four hours a day doing something, and counsel for Benson had no doubt that, whatever Mr. Faris was doing, he was working diligently on something.

(3) Could we prove that any of our dark suspicions were accurate? Of course not! That’s what discovery is for--at least in other fora.⁶ If we had had that discovery, we either would have confirmed our suspicions or we wouldn’t have. If we had, we would have raised additional issues, making more work for the board. If we hadn’t, we would have dropped those issues, allowing the board to rest in peace. That’s how discovery works. In other form.

(4) Was our motion “a fishing expedition”? Of course it was. We didn’t know and don’t know what the documents we asked for would have shown, and Ginter vigorously contended that, because of that, our motion was a mere “fishing expedition.”

However, SAPJ McKelvey responded to that argument as follows:

Ginter apparently overlooked our decision in Sernyk v. DeBonte, 72 USPQ2d 1355, 1361 (col. 1) (Bd. Pat. App. & Int. 2004), indicating that labeling requests [for] discovery as being a “fishing expedition” is not particularly helpful. It is uncontrollable fishing expeditions which are not

⁶ See Gholz, Patent Interferences -- Big Ticket Litigation With No Effective Discovery, 4 Intellectual Property Today No. 9 at page 10 (1997).

authorized under board discovery rules. [Emphasis in the original.]

(5) I think that the only (or, at least, the best) bright-line rule for use in these situations is that the mere decision to rely on attorney diligence should open up a party to discovery as to how diligent the attorney really was. Hopefully, the district court handling the ensuing 35 USC 146 action will agree with me.