Features

Attorney-Client Privilege Under U.S. Law

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For any attorney who gives advice regarding U.S. trademarks or on a trademark case in a U.S. court, or who is involved in global brand strategies that include rights in the United States, knowing the boundaries of disclosure can help protect that attorney's client from having its secrets and strategies become known to third parties as a result of litigation in a U.S. court. One of the most important limits on disclosure that the United States recognizes is the exclusion of communications relating to advice that attorneys give to clients. U.S. law recognizes the sanctity of communications between attorneys and clients and thus will normally protect such communications from disclosure to third parties under the policy of attorney-client privilege.

As the Supreme Court recognized in the landmark decision *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981), the primary purpose of the attorney-client privilege is to "encourage full and frank communications between attorneys and their clients, and thereby promote broader public interests in the observance of law and administration of justice." The theory is that clients will be less than helpful in seeking advice from their attorneys if they think the disclosures can be used against them—in essence, turning lawyers into potential adverse witnesses. Yet, failure to give full disclosure can result in the attorney's inability to give the best and fullest advice possible. It is, accordingly, believed and accepted that the privilege encourages the frank and full disclosure necessary to allow effective legal representation without threatening the entitlement of others to full disclosure during a litigation or other proceeding.

While virtually all countries recognize some form of attorney-client privilege, the policies behind the privilege are particularly strong in a jurisdiction such as the United States—where required disclosure of communications is far more expansive than in other countries—and attorney-client communications are likely to fall within the categories of relevant and responsive communications implicated by an interrogatory, document request or deposition question. The privilege provides a safe harbor, allowing attorneys and clients to speak freely and candidly to each other without fear that what is disclosed may someday be revealed.

However, while the policy is straightforward, the bounds of the attorney-client privilege as applied in practice are not always clear. For example, U.S. courts have held that in some situations the attorney-client privilege may shield communications involving non-attorneys, thus avoiding forcible disclosure of such communications. Sometimes, certain communications between lawyers may be considered privileged, while other types of communications between them are not. Further, any privilege that does exist may be broken if disclosure or specific indicia of wrongdoing are present.

The flexible yet often complicated rules covering privilege can lead to trouble for outside and inside counsel who handle IP matters, as well as for foreign and domestic trademark agents, who may or may not be attorneys.

General Principles of Attorney-Client Privilege

It is important to understand the framework that applies to privileged communications involving attorneys. U.S. law recognizes the dual purpose of the attorney-client privilege in shielding from discovery advice given by the attorney to the client, and communications from the client to the attorney made in pursuit or provision of legal services. Accordingly, the privilege will apply not only to communications from the client to its attorney but also to the advice rendered by the attorney to the client, to the extent that such advice may reflect confidential information conveyed by the client.

The attorney and the client must never forget that application of privilege in U.S. federal and state courts is not automatic. Under Federal Rule of Civil Procedure 26(b)(5), a party asserting that something is privileged must expressly invoke the privilege and identify the nature of what is being claimed as privileged. If the claim to privilege is challenged, the burden of establishing the existence of the privilege ultimately falls on the party invoking it. At times, the burden may be difficult to meet. One court noted that attorney-client privilege is fact-specific, "[n]arrowly defined, riddled with exceptions, and subject to continuing criticism." *See United States v. Schwimmer*, 892 F.2d 237, 243 (2d Cir. 1989). Because of the invocation of the Lanham Act, which raises a question of federal law, applicable law in trademark cases generally is grounded in federal law rather than state law; but multiple tests still exist, even among the federal courts. At times, parties even debate the test that is to be applied to determine whether privilege exists. The only certainty is that the decision of whether the privilege applies will rest with the judge or tribunal that passes on the question.

In the absence of well-defined rules, the prevailing test, established 60 years ago in *United States v. United Shoe Machine Corp.*, 89 F. Supp. 357, 358-59 (D. Mass. 1950), provides useful guidance on the elements of privilege. The *United Shoe Machine* test requires that:

> (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.

The mere recitation of these elements begins to illuminate some of the hurdles that often arise when asserting privilege in the trademark area. For example, where in-house counsel and agents are involved in prosecution, licensing and litigation, the question may arise as to whether the party involved in the communication will be considered as an attorney or "subordinate" under element (2)(a) of the *United Shoe Machine* test. Given the scope of work that certain attorneys and agents do, a court may ask whether the communication itself actually relates to procurement of legal advice reflected in elements (2)(b) and (3)(c) of the test, as opposed to conveyance of factual information or business advice. And finally, as elements 3(d) and (4) of the *United Shoe Machine* test remind us, even if those two questions are answered in the affirmative, privilege will be lost when it is waived or when

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clear evidence of fraud exists. The contours of each type of issue are addressed below.

Who Is the "Attorney"? Lawyers, Agents and Others

The attorney-client privilege requires that an attorney has participated in the communication. Unlike in most European countries (as the ECJ confirmed in its *Akzo Nobel* decision (Case C-550/07 P (Sept. 14, 2010)), in-house counsel may qualify as "attorneys" for the privilege analysis under U.S. law, just as an outside lawyer will. However, the definition of "attorney" is not boundless: courts have held that privilege generally does not attach to communications with trademark or patent agents, paralegals or in-house lawyers who were not admitted to any bar. *See, e.g., Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, No. 04 Civ. 5316 (S.D.N.Y. Nov. 30, 2006); *John Labatt Ltd. v. Molson Breweries*, 898 F. Supp. 471 (E.D. Mich. 1995).

The recent district court decisions in the pending trademark proceeding *Gucci America, Inc. v. Guess?, Inc.* (No. 09 Civ. 4373 (SAS), (S.D.N.Y. June 29, 2010) (Cott, Mag. J.), 2011 U.S. Dist. LEXIS 15 (S.D.N.Y. Jan 3, 2011) (Scheindlin, J.) demonstrate the fact-specific analysis and complicated law surrounding the application of attorney-client privilege. In that case, an in-house lawyer for Gucci admitted at a deposition that he had taken an "inactive" status in the state bar to which he was admitted. Guess accordingly demanded that documents that Gucci had claimed were privileged from disclosure be turned over to Guess's lawyers. The magistrate judge agreed with Guess, ruling that the in-house lawyer was not to be considered as an "attorney" owing to his failure to stay an "active" member of the bar, and ordered Gucci to produce the documents.

The district court judge disagreed, finding that the lawyer need be only a member of a bar of a court, whether or not he or she was authorized to practice law at the time the advice was rendered. The court also held that even if Gucci's lawyer had not met the test for being an "attorney," the communications would still have been protected because Gucci reasonably believed that its in-house "counsel" was in fact an attorney. The lawyer had acted as Gucci's in-house counsel for several years and had rendered legal advice; moreover, Gucci knew the lawyer had a law degree when it hired him and had paid his bar dues for years.

On those facts, the court declined to hold Gucci responsible for ongoing due diligence to confirm that its lawyers—which it reasonably believed were members of the bar—remained active members of the bar. As the court explained, "the sins of the attorney must not be visited on the client so long as the client has acted reasonably in its belief that its counsel is, in fact, an attorney."

The attorney-client privilege, moreover, may cover communications with a non-lawyer third party if that party is the attorney's agent or representative and facilitates communications with the attorney. On this basis, courts have held that communications are privileged if the patent or trademark agent is working for an attorney. *See, e.g., John Labatt Ltd., supra; Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514 (S.D.N.Y. 1992). However, the employee or agent of the attorney must be acting in the role of conduit rather than as an independent legal advisor.

The increasingly global nature of commerce raises separate privilege questions regarding foreign agents and attorneys who are retained to provide assistance with legal issues in trademark matters, such as prosecuting trademarks, investigating trademark use and strategizing about litigation. In determining whether U.S. or foreign law applies, the court generally will engage in a choice-of-law analysis, looking at whether the communications "touch base" with the United States, meaning that the court will defer to the law of the country that has the "predominant" or "the most direct and compelling" interest in whether those communications should remain confidential, unless that foreign law is contrary to the public policy of the forum. *See Gucci America, supra* (opinion of Sept. 23, 2010). Most courts apply the "touching base" or "most compelling interest" rule to privilege questions generally, although the practitioner should bear in mind that not all courts follow this rule.

In practice, whether a communication "touches base" with the United States in a trademark case typically will depend on the country in which the trademark at issue is registered or where the trademark litigation at issue is pending or on which country's trademark law is to govern the relevant legal issues in the matter. Generally, if the communications bear any reasonable relationship to the United States, U.S. privilege law will apply. However, even if the question touches base with the United States or the United States has the most compelling interest in the case, a court often will consider the context of the situation, including whether the result might offend principles of comity or public policy. *See Astra Aktiebolag v. Andrx Pharmaceuticals, Inc.*, 208 F.R.D. 92 (S.D.N.Y. 2002).

Although there is scant case law on point, case law in the intellectual property field also suggests that, to the extent that U.S. law applies, communications between a U.S. lawyer and a foreign trademark agent will be protected to the same extent as a communication between that lawyer and any other non-lawyer agent working under the lawyer's supervision. This principle flows from the protection of communications involving attorneys that is provided under U.S. law and that protects those, such as professional consultants and advisors, whose involvement may be necessary for purposes of rendering legal advice. *See John Labatt, supra*.

Indeed, if the foreign trademark agent is not acting as a conduit of a foreign attorney but instead is giving substantive legal advice on issues of foreign trademark law, communications with that agent generally will likely be privileged only to the extent that foreign law applies and privilege is available under that foreign country's law, for example, as in particular countries in Europe and Asia that treat patent agents like attorneys for privilege purposes and accord them a statutory privilege for their communications. By contrast, as the court in *Odone v. Croada International PLC*, 950 F. Supp. 10 (D.D.C. 1997) found after determining that U.S. law applied, communications between a client and a British non-attorney patent agent were required to be produced even though the documents would be privileged under British law.

What Is a "Legal" Communication?

Proving that a communication is between an attorney and a client will not necessarily end the inquiry of whether privilege applies. The party claiming privilege must clearly show that

a written or oral communication renders legal advice—such as whether a mark is protectable, is infringing or may be registered—and does not, for example, merely contain facts later disclosed in a patent or trademark application. Thus, if the attorney's role in making or receiving a communication is more as a conduit for information than as a counselor conveying legal advice, the privilege will not attach to those factual communications. *See Amerace Corp. v. USM Corp.*, 183 U.S.P.Q. 506 (T.T.A.B. 1974).

Following this rule, some courts have held that drafts of patent applications are not protected under the attorney-client privilege, on the ground that they consist merely of technical information to be passed on to the USPTO. Other courts, however, have held that draft applications may be privileged, and still others have held that drafts of replies and responses prepared in response to questions or decisions of a patent examiner are privileged. In trademark cases, the rule is generally settled that opinions relating to trademark search reports are privileged but the trademark search reports themselves are not. *See Fisions Ltd. v. Capability Brown Ltd.*, 209 U.S.P.Q. 167 (T.T.A.B. 1980). Documents submitted to the USPTO, compendia of filing fees and requirements for foreign applications and transmittal letters that do not contain or disclose privileged advice have all been found to fall outside the protection of the attorney-client privilege.

Trademark matters may implicate the involvement of an attorney in business issues such as sales, marketing, advertising and product development, particularly when the attorney is in-house. An attorney who acts in a business role rather than as a legal advisor cannot assume that his or her communications regarding IP will be protected. Even if the communication looks to be of the type that may contain legal advice, such as a memorandum, letter or email, the rules of privilege require that the substance of the communication itself be of a legal, rather than business, nature. *See Conner Peripherals, Inc. v. Western Digital Corp.*, 31 U.S.P.Q.2d 1042 (N.D. Cal. 1993); *Cuno, Inc. v. Pall Corp.*, 121 F.R.D. 198 (E.D.N.Y. 1988). If the communication does not implicate legal advice, the fact that the attorney is a licensed, admitted lawyer will not prevent the privilege from being found inapplicable.

When Privilege Will Be Destroyed

Even where all the hallmarks of privilege are present, privilege may be destroyed by waiver or other circumstances where public policy favors disclosure. Waiver occurs when a privileged document is disclosed to a third party, unless the disclosure is "inadvertent."

However, even if not inadvertent, disclosure to a third party may not waive the privilege if the party who receives the privileged communication shares a "common legal interest" with the client at the time the disclosure is made. Here the concept of the common-interest privilege goes beyond its roots, which contemplated privilege in the context of a joint defense in criminal cases, and expands to a variety of contexts where the parties collectively wish to reach a similar outcome. However, consistent with the legal focus of the attorney-client privilege, the common interest must relate to a unified legal interest toward a common legal goal, not a joint business strategy that includes as one of its elements a concern about litigation.

Conversely, if the legal advice is contained within a "business" presentation to a client's directors or officers, that fact, alone, will not characterize the document as "business" rather than "legal." In the context of corporate acquisitions, some (but not all) courts have found a middle ground, holding that a potential purchaser and a target company may have a common interest that allows the target to share opinions of counsel regarding intellectual property risk with the potential buyer. For instance, the buyer might want to learn of any infringement in which the target is engaging, without having that infringement or the buyer's knowledge of it become public. If the common-interest privilege is ultimately found, it will be difficult to waive, as that requires consent of all parties sharing the common interest.

To avoid waiver, it is advisable to take reasonable precautions to identify the communication as privileged, including measures applicable in the corporate context, such as limiting access and distribution lists to certain people in the company who have a need to know the content of the communications. Although marking a document as a privileged attorney-client communication will not affect the analysis of whether something is actually privileged, identifying a document as privileged will help those who were not part of the original communication (e.g., other lawyers in the same firm or other employees of the same client) understand that the document should not be disclosed to third parties. In cases where third-party disclosure is contemplated, such as with the common-interest arrangement, it is advisable to have all parties who are contemplated as being among those with the common interest enter into an agreement; taking this precaution will allow the parties to identify the extent of third-party disclosure permissible and avoid waiver problems.

Under any circumstance, the benefit of the privilege disappears if the relationship is abused. Abuse is most commonly found where the communications bear some relationship to the commission of a crime or fraud. The burden of showing that fraud exists is quite high: the party seeking to establish that the attorney-client privilege should be removed must establish that a prima facie case of fraud exists. For example, a court recently held that attorney-client privilege could not be considered waived when the defendant alleged that the plaintiff committed fraud on the USPTO in filing an affidavit of continued use when the plaintiff had allegedly ceased use of the trademark—at least not until the time that the court could determine that the defendant had a factual basis to claim fraud and that the plaintiff's explanation was unsatisfactory. *Specht v. Google, Inc.*, 268 F.R.D. 596 (N.D. Ill. 2010). Furthermore, the fraud must be shown to be contemporaneous with the attorney-client communication—that is, the client was engaged or planned to engage in fraudulent activity when he sought the legal advice. Finally, a client must recognize that claiming that it committed an act, such as willful infringement, based on counsel's advice will result in waiver of the claim of privilege.

Conclusion

By keeping counsel at the helm of discussions, maintaining a legal focus, taking precautions to avoid waiver and staying aware of foreign and domestic privilege law when more than one country's law may apply, clients and their attorneys will maximize their chances of ensuring that their communications are privileged and stay only between themselves. ■