

Joint Defense Agreements

Presentation for the AIPLA

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We must indeed all hang together, or most assuredly we shall all hang separately.

Benjamin Franklin

July 4, 1776

Joint Defense Agreements

Multi-Defendant Litigations

- Traditional procedural and substantive advantages of grouping defendants
- Recent increase in multi-defendant patent litigation cases
 - Suits by non-practicing entities
 - Suits against entire industries and consumers
 - Standards issues more prevalent than ever
- Joint Defense Agreements needed to offset disadvantages

Joint Defense / Common Interest Agreements

Two Overarching Goals:

- Define and protect the common interest privilege
 - Manage the common interest group
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The Common Interest Privilege Inconsistent Terminology

- Historically:
 - “joint defense privilege” – multiple clients, multiple lawyers
 - “common interest privilege” / “common defense rule” – multiple clients, single lawyer
- Variations:
 - “joint client privilege” – multiple parties with common counsel
 - “joint litigant privilege” – multiple parties with separate counsel
 - “common defense privilege” / “common interest privilege” – protecting counsel’s communications with third party with identical legal interest

The Common Interest Privilege

- CIP is an extension of an existing privilege, not an independent privilege
 - Disclosure to a third party usually constitutes waiver of the attorney-client privilege
 - CIP will prevent waiver if disclosure is in furtherance of common interest

- Elements:
 - 1) Actual or threatened legal proceeding
 - 2) Each member is a party or potential party to the proceeding
 - 3) Communication is in furtherance of the common legal interest
 - 4) Expectation of confidentiality
 - 5) Privilege has not been otherwise waived

Common Interest Privilege

Actual or Threatened Proceeding

- Reliance on the common interest privilege outside of litigation and for mixed purposes is problematic.

- Common interest rule prevents waiver when a patent owner discloses a legal opinion to a potential purchaser.

Hewlett-Packard Co. v. Bausch & Lomb Inc., 115 F.R.D.
308, 309-11 (N.D.Cal. 1987)

- Common interest rule does not prevent waiver when an opinion letter is disclosed to facilitate a joint business decision.

Bank Brussels Lambert v Credit Lyonnais (Suisse) S.A.,
160 F.R.D. 437, 447 (S.D.N.Y. 1995)

Common Interest Privilege Actual or Threatened Proceeding Agreement

- Expressly recite nature of actual or threatened proceeding
- Expressly recite common legal interests
 - Claim construction
 - Invalidity
 - Unenforceability
 - Noninfringement
 - Potential damages
 - Equitable defenses
 - Exploration and evaluation of alternative positions
 - Exploration of most efficient manner of presenting varied positions
- Address any current disputes and explain overriding common interest
 - Outstanding or potential indemnification or insurance claims
 - Potential for disagreements and acknowledge withdrawal provision

Common Interest Privilege

Each Member is a Party or Potential Party Agreement

- Expressly recite that each signatory is either a party or a potential party to the relevant proceeding
 - Make broad enough to include non-party suppliers, customers, and third parties that may join later or be subject to third party discovery
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Common Interest Privilege Communication in Furtherance of Common Interest Agreement

- Comprehensive and open ended recitation of common legal interests
 - Modify as necessary as litigation develops
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Common Interest Privilege Expectation of Confidentiality Agreement

- Expressly recite expectation of non-waiver of privilege
 - “Whereas, the Parties wish by this Agreement to confirm their understanding and . . . that such sharing of documents, information or materials not be interpreted as a waiver of, or deemed to diminish in any way, the confidentiality or privileged nature of such documents”

- Confidentiality
 - Expressly recite confidentiality requirement
 - Expressly recite that producing party can specify additional confidentiality requirements
 - Expressly recite that confidentiality obligation survives withdrawal or termination
 - Require return or destruction of material upon withdraw.

Common Interest Privilege Waiver

- Subject matter waiver by JDG member
 - Inadvertent production
 - Production to testifying expert
 - Reliance on opinion of counsel to defend against charge of willfulness and/or inducement
 - Does scope of waiver by one JDG member include JDG communications?
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Common Interest Privilege Waiver

- General Privilege Issues – Regional Circuit Law
 - Common Interest Privilege – *GFI Inc. v. Franklin Corp.*, 265 F.3d 1268, 1272 (Fed. Cir. 2001); *In re Regents of the University of California*, 101 F.3d 1386, 1390 (Fed. Cir. 1996)
- Patent Specific Waiver Issues – Federal Circuit Law
 - *In re EchoStar Communications Corporation*, 448 F.3d 1294 (Fed. Cir. 2006) (uncommunicated work product)
 - *In re Seagate Tech.*, 497 F.3d 1360 (Fed. Cir. 2007) (trial counsel)

Common Interest Privilege Waiver

- Courts are split on when one party can waive privilege for JDG.
- Majority Rules:
 - One party cannot unilaterally waive common interest privilege, at least where agreement prohibits such unilateral waiver.
 - Each co-defendant can waive privilege, but only with respect to its own communication
 - For “mixed” communications, consent by all parties is required, unless redaction is possible

Common Interest Privilege Waiver

- *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 5:04-CV-84 (E.D. Ky.)
- Codefendants:
 - Static Control – Blakely Opinion Letter
 - Pendl – Becker Opinion Letter
- Waiver:
 - Pendl waived as to the Becker Opinion letter.
 - Waiver included Pendl's own trial counsel AND joint defense counsel, to the extent communicated to Pendl
- “Consequently, the rule of *In re EchoStar* does not apply here to require the disclosure of information exchanged between [attorneys in joint defense group] unless the information was thereafter transmitted to [waiving codefendant].”

Static Control Components, Inc. v. Lexmark Int'l, Inc.,
5:04-CV-84 (E.D. Ky. Jan. 25, 2007)

Common Interest Privilege Waiver

- Waiver of Privilege as to Waiving Defendant

- “[Plaintiff] would be entitled to discover from [waiving defendant] any communications [it] had with its counsel, including [it’s] trial counsel, and any communications [it] has had with other counsel herein, concerning the subject matter of the 1999 Becker Opinion and [it’s] decision to raise an advice-of-counsel defense”

Static Control Components, Inc. v. Lexmark Int’l, Inc.,
2007 WL 926985 at *4 (E.D. Ky. Mar. 26, 2007)

- Waiver is still personal to Pendl

- Pendl’s waiver associated with the Becker Opinion letter does not also waive Static Control’s attorney/client and work product privileges concerning the same subject matter as the Becker Opinion letter.” *Id.* at *7

- Agreement

- “The common interest agreement *prohibits* one party’s disclosure from waiving any other party’s privilege.” *Id.*

Common Interest Privilege Waiver

- The scope of the waiver does not ordinarily extend to the client's communications with trial counsel.

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

- However, “trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel.”

Id. at 1374-75.

Common Interest Privilege Waiver

- “[W]here opinion counsel and trial counsel are in the same firm, the same shelter does not extend for communications between a client and trial counsel, if they are on the subject of the opinion relied on. Walls or no walls.”

Celerity, Inc. v. Ultra Clean Holding, Inc., 476 F.Supp.2d 1159, 1164 (N.D. Cal. 2007)

Common Interest Privilege Waiver

- *Tyco Healthcare Group LP et al. v. E-Z-EM, Inc. et al.*, 2:07-cv-262-TJW (May 24, 2010)

- Time Line:
 - June 2007 E-Z-EM sued for patent infringement
 - July 2007 Opinion letter received, opinion counsel joined trial team
 - March 2010 Opinion letter produced
 - May 2010 Judge Ward found subject matter waiver as to trial counsel
 - June 2010 Case settled during trial

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- “The waived communications include those between Mr. Scott and the client, Mr. Scott and the rest of the trial team, and the trial team and the client. E-Z-EM has also waived immunity for all work product that references such communications, and for all work product on the same subject that was communicated to the client.”

Tyco Healthcare Group LP et al. v. E-Z-EM, Inc. et al.,
2:07-cv-262-TJW (May 24, 2010) (Dkt. No. 593) at 6

Common Interest Privilege Waiver Agreement

- Expressly recite that no party is allowed to unilaterally waive privilege
 - Prohibit disclosure of joint defense material to opinion counsel and reliance witnesses to ensure it is “uncommunicated” under *In re EchoStar*.
 - Dual role of opinion and trial counsel
 - In-house counsel involved in group communications
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Common Interest Privilege Privilege/Waiver/Conflicts Texas

- **Rules of privilege.**
- 503(b)(1) *General Rule of Privilege*. A client has a privilege to refuse to disclose and to prevent any other person from disclosing confidential communications made for the purpose of facilitating the rendition of professional legal services to the client:

* * *

- (C) by the client or a representative of the client, or the client's lawyer or a representative of the lawyer, to a lawyer or a representative of a lawyer representing another party in a pending action and concerning a matter of common interest therein

Tex. Rule of Evid. Rule 503(b)(1)(C)

Common Interest Privilege Conflicts

- The attorney's duty to preserve confidences shared under a joint defense agreement is no less because the person to whom they belong was never a client. The attorney's promise places him in the role of a fiduciary, the same as toward a client.

Nat'l Med. Enters., Inc. v. Godbey, 924 S.W.2d 123, 132 (Tex. 1996)

- [W]e hold that an attorney's knowledge of a non-client's confidential information that he has promised to preserve is imputed to other attorneys in the same law firm. *Id.*
- Is imputation rebuttable? *Kennedy v. MindPrint*, No. 08-20398, slip op. at 13 (5th Cir. Oct. 30, 2009)

Common Interest Privilege Conflicts

- “[A]n attorney should also not be allowed to proceed against a co-defendant of a former client wherein the subject matter of the present controversy is substantially related to the matters in which the attorney was previously involved, and wherein confidential exchanges of information took place between the various co-defendants in preparation of a joint defense.”

Wilson P. Abraham Constr. Corp. v. Armco Steel Corp.,
559 F.2d 250, 253 (5th Cir. 1977)

- “In those circumstances, Lawyer would almost surely have a fiduciary obligation to the other members of the consortium, which might well lead to his disqualification.”

ABA Formal Ethics Opinion 95-395 at 4.

Common Interest Privilege Conflicts

All Am Semiconductor, Inc. v. Hynix Semiconductor, Inc., 2008 WL 5484552 (N.D. Cal. Dec. 18, 2008)

- Lawyer moves to firm adverse to former JDG codefendant
- Lawyer actually received confidential information from former JDG codefendant
- Conflict imputed to new firm because matters were “substantially related”
- Ethical wall of JDG lawyer by new firm – ineffective

Common Interest Privilege Conflicts

- Prospective Waiver in JDG Agreement – ineffective
- Consider
 - (1) the waiver's breadth;
 - (2) its temporal scope, i.e., whether it waived only current conflicts or applied to all conflicts in the future;
 - (3) the quality of the conflict discussion between attorney and client;
 - (4) the specificity of the waiver;
 - (5) the nature of the actual conflict, i.e., whether the attorney sought to represent both clients in the same dispute or in unrelated matters;
 - (6) the sophistication of the client; and
 - (7) the interests of justice.

All. Am. Semiconductor, 2008 WL 5484552, at *10.

- Prospective waiver did not include “substantially related litigation.”

Common Interest Privilege Conflicts

Essex Chem Corp. v. Hartford Accident & Indem. Co., 975 F. Supp. 650 (D.N.J. 1997)

- Firm failed to perform adequate conflicts check and began representing a current JDG client against a former client
 - Conflict was not imputed other attorneys in JDG group.
 - If former-client's confidential information is actually shared with JDG group, all counsel in JDG group may be disqualified.

Common Interest Privilege Conflicts Agreement

- Expressly disclaim any attorney-client relationship with any other defendant
- Expressly disclaim all duties of loyalty and fiduciary duty (but note tension with confidentiality)
- Include express waiver of conflicts and right to seek disqualification, including as to substantially related litigation matters
- Return or destroy all confidential information at the end of the agreement, and memorialize same
- Limit reception and internal distribution of confidential information from codefendants to minimize contamination

Joint Defense Agreement Management

- Expressly permit independent and separate assertion of any defense, claim, motion or argument by any party
- Expressly provide for separate and confidential settlement authority
- Expressly disclaim any duty to assist or provide information of any kind
- Define who decides how to use shared information in the litigation and other proceedings
 - Typically, the party that identified / produced the information controls it, absent consent
 - Some confidentiality agreements limit disclosure even to opposing counsel
 - Who can take the prior art and file a reexam?
 - *Inter partes* issues

Joint Defense Agreement Management

- Codefendant Patents
 - Consider agreeing that a producing party will not use the production of its patent in the litigation to show knowledge for purposes of:
 - 1) indirect infringement
 - 2) actual notice
 - 3) willfulness
 - Consider agreeing that a receiving party will not use the production of a patent in the litigation to show
 - 1) declaratory judgment jurisdiction
 - 2) laches or estoppel
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Joint Defense Agreement Management

- Expressly provide method for adding members
 - Multiple rounds of litigations
 - Suppliers/Customers
- Expressly provide method for removing members
 - Withdrawal
 - At any time for any reason
 - Automatically with any settlement
 - Expulsion
 - Note: The common interest privilege ceases whenever the common interest ceases, regardless of the terms of the agreement.
- Communications that are privileged during the joint defense agreement are not privileged in a subsequent suit between members of the joint defense group.

Joint Representations

- Differences from Joint Defense Group
 - Ethical considerations on joint representations
 - Privilege issues
 - Positional conflicts
 - Exposure
 - Settlement discussions
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Checklist

- Memorialize Purpose and Scope
- Confidentiality of agreement
- Confidentiality and privilege of information
 - Survives agreement
 - Return of materials
 - Unanimous consent required for waiver
- Use of materials
- Procedures to be followed for subpoenas
- Procedures for adding parties
- Procedures for withdrawing
 - Settlement
 - Expulsion
- Independent defense
- Independent right to settle
- Procedures for modification
- Representation of no conflict of interest
- Disclaimer of attorney-client and fiduciary relationships
- Waiver of future conflicts between attorneys and codefendants, including substantially related matters
- Representation of no conflict with plaintiff
- No obligation to share information

Discussion