

# Washington Law Review

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Volume 71  
Number 4 *Symposium on Tuberculosis*

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10-1-1996

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Todd M. Becker

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### Recommended Citation

Todd M. Becker, Notes and Comments, *Attorney-Client Privilege Versus the PTO's Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 Wash. L. Rev. 1035 (1996).  
Available at: <https://digitalcommons.law.uw.edu/wlr/vol71/iss4/6>

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## ATTORNEY-CLIENT PRIVILEGE VERSUS THE PTO'S DUTY OF CANDOR: RESOLVING THE CLASH IN SIMULTANEOUS PATENT REPRESENTATIONS

Todd M. Becker

*Abstract:* Patent attorneys play dual roles: they are simultaneously attorneys and patent practitioners. Their dual role causes problems when the rules that govern one role conflict with the rules that govern the other. One such problem is illustrated in *Molins PLC v. Textron, Inc.*, where a patent attorney simultaneously representing two clients was caught between the Patent & Trademark Office's duty of candor and the attorney's duty of confidentiality imposed by the rules of professional responsibility. The *Molins* decision presents a problem because it creates uncertainty about whether confidentiality can be maintained by using the attorney-client privilege to defeat the duty of candor. This Comment examines the contours of the duty of candor and the attorney-client privilege, concludes that in some situations there is a conflict between the two, and argues that, when a conflict does exist, policy considerations dictate that the attorney-client privilege override the duty of candor.

Technology has become a ubiquitous part of life. The rapid pace of technological development—particularly in fields such as electronics, computers, and biotechnology—brings us products that become more capable all the time. As technology becomes more capable it also becomes more complex, and in response the inventors who develop it become more technically specialized. Driven by the increasing specialization of inventors, patent attorneys to whom the inventors turn for legal protection of their inventions also are becoming more technically specialized. Consequently, patent attorneys who develop a reputation for expertise in a certain technical area and a sizable client base increasingly will prosecute patent applications in the same or closely related technical fields. This will be particularly true in fields such as biotechnology, where qualified practitioners are rare, and in geographic areas where particular types of industries are concentrated, such as the semiconductor chip industry in the Silicon Valley of California.

As patent attorneys become more technically specialized and prosecute more closely related patent applications, they may encounter problems with legal rules that are often slow to catch up with the realities of practice. A recent decision of the U.S. Court of Appeals for the Federal Circuit,<sup>1</sup> *Molins PLC v. Textron, Inc.*,<sup>2</sup> illustrates one of the

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1. The U.S. Court of Appeals for the Federal Circuit, formed in 1982 by joining the Court of Customs and Patent Appeals and the Court of Claims, exercises exclusive appellate jurisdiction over

problems patent attorneys may face. In *Molins*, a patent attorney was caught between two conflicting rules. The U.S. Patent and Trademark Office<sup>3</sup> (PTO) places a duty of candor upon patent attorneys, which requires disclosure of any information that is material to a patent application.<sup>4</sup> Failure to disclose material information can be deemed "inequitable conduct" and can carry severe penalties for both the attorney and the client. At the same time, the rules of professional responsibility subject attorneys to a duty of confidentiality, which requires them to protect all information relating to a client's representation by asserting the attorney-client privilege when necessary and proper. The attorney in *Molins* represented two clients simultaneously and faced a dilemma because information from the first client was allegedly material to the second client's patent application. Thus, the attorney had to choose between asserting attorney-client privilege on behalf of the first client and complying with the duty of candor on behalf of the second. The court resolved the dispute on other grounds, but in dicta split three ways about whether the duty of candor should override the attorney-client privilege.

The uncertainty created by the *Molins* split places patent attorneys in a precarious position where they must guess whether attorney-client privilege will override the duty of candor. If the privilege does not override the duty of candor and the attorney withholds information from the PTO thinking that it does, the duty of candor is breached<sup>5</sup> and the attorney risks PTO disciplinary action and unenforceability of the client's patent. If the privilege does override the duty of candor and the attorney discloses client information thinking it does not, then the duty of confidentiality<sup>6</sup> is violated and the attorney risks malpractice and disciplinary action by the bar association. This issue should be resolved because attorneys need to know whether the privilege applies in simultaneous representation, so that they may protect themselves and the interests of their clients.

This Comment argues that, in a simultaneous representation like the one in *Molins*, the Federal Circuit should allow the attorney-client

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claims under or related to the patent laws. Donald S. Chisum & Michael A. Jacobs, *Understanding Intellectual Property Law* 2-17 to 2-18 (1992).

2. 48 F.3d 1172 (Fed. Cir. 1995).

3. The PTO is an office of the Department of Commerce, an administrative agency of the U.S. Federal Government. 35 U.S.C. § 1 (1994).

4. 37 C.F.R. § 1.56 (1995).

5. See discussion *infra* part I.C.

6. See discussion *infra* part II.A.1.

privilege to override the duty of candor. Part I gives an overview of patent prosecution and enforcement of patent rights, and examines the law and policy of the duty of candor. Part II discusses the law and policy of attorney-client privilege and how it has been applied in the context of patent prosecution. Finally, part III analyzes the simultaneous representation case in terms of the duty of candor and attorney-client privilege, and suggests various policy reasons why attorney-client privilege should override the duty of candor in such a case.

## I. PATENT PROSECUTION AND THE DUTY OF CANDOR

Proceedings relating to patents fall into two categories. The first category includes proceedings before the PTO, collectively referred to as patent “prosecution,”<sup>7</sup> that focus on obtaining a patent. Prosecution begins when a patent application is filed with the PTO and ends when the patent is issued or the application is finally rejected. The second category includes proceedings in the federal courts, referred to as “patent litigation,” that focus on enforcing or extinguishing existing patent rights. Usually, patent litigation arises when the patentee seeks to stop infringement of the patent or an opponent seeks to have the patent invalidated. The steps in patent prosecution, patent litigation, and the application of the duty of candor during prosecution are described below.

### A. *Overview of Patent Prosecution*

Patent prosecution consists essentially of two steps: the initial examination and proceedings following the initial examination.

#### 1. *The Initial Examination*

The first step in seeking patent protection for an invention is to prepare a patent application that claims the particular aspects of the invention for which patent protection is sought.<sup>8</sup> The application then is filed with the PTO, where it is assigned to a patent examiner for review. The examiner must do two things with the application. First, the

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7. See generally 3 Donald S. Chisum, *Patents: A Treatise on the Law of Patentability, Validity and Infringement* § 11.03 (1996) (describing prosecution of patent applications).

8. The patent statutes prescribe four elements for a complete application: a specification, including at least one claim; drawings, if necessary; the inventor’s oath or declaration; and a filing fee. See Chisum & Jacobs, *supra* note 1, § 2D[3], at 2-129 to 2-130.

examiner must search for prior art<sup>9</sup> in the field of the invention. Having completed a prior art search, the examiner must decide whether the invention, as claimed in the application, is patentable in light of prior art submitted by the applicant and any references uncovered during the examiner's own prior art search.<sup>10</sup>

Contrary to most administrative proceedings, in a patent prosecution the burden of proof is on the examiner to show that the invention should not be patented, rather than on the inventor to prove that it should be patented.<sup>11</sup> The examiner can meet the burden of proof with a showing, by a preponderance of the evidence, that the invention either fails to meet one of the statutory criteria for patentability, or that the patent is barred by one of the "statutory bars." There are four statutory criteria of patentability: patentable subject matter,<sup>12</sup> utility,<sup>13</sup> novelty,<sup>14</sup> and non-obviousness.<sup>15</sup> The subject matter and utility requirements are straightforward and are usually easily met, but establishing novelty and non-obviousness of the invention is more difficult. Novelty requires that the invention not be anticipated by the prior art; anticipation occurs when all the claimed features of the invention are found in a single prior art reference.<sup>16</sup> Non-obviousness is a separate inquiry from novelty. An invention is obvious and cannot be patented if, at the time the invention was made, the differences between the claimed invention and the prior

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9. "Prior art" is a term of art in patent law. It refers to the body of pre-existing knowledge and technology with which the new invention is compared to determine whether it is novel or non-obvious. Thus, an invention need not be "novel" and "non-obvious" in the abstract; it must be "novel" and "non-obvious" as compared to the prior art. *See generally* Chisum & Jacobs, *supra* note 1, § 2C[5]. The examiners are required to do their own prior art search. 37 C.F.R. § 1.104(a) (1995).

10. The patent statutes provide some guidance as to what may be considered prior art for purposes of novelty. Prior art includes inventions patented or described in publications anywhere in the world, and matter "known or used" by others in the United States, 35 U.S.C. § 102(a) (1994); patent applications filed by persons other than the inventor before the filing of the application in question, 35 U.S.C. § 102(e) (1994); and prior inventions in the United States by other persons, 35 U.S.C. § 102(g) (1994). The patent statutes do not expressly define prior art for obviousness, but this seems to include at least all the items that may be considered for establishing novelty. *See generally* Chisum & Jacobs, *supra* note 1, § 2C[5], at 2-83 to 2-85 (discussing scope of what may be considered prior art).

11. *In re Oetiker*, 977 F.2d 1443, 1449 (Fed. Cir. 1992) (Plager, J., concurring); *In re Warner*, 379 F.2d 1011, 1016 (C.C.P.A. 1967), *cert. denied*, 389 U.S. 1057 (1968).

12. The invention must be a process, machine, manufacture, or composition of matter. 35 U.S.C. § 101 (1994).

13. § 101. To possess utility, an invention need only be operable and capable of performing some function of benefit to humanity. Chisum & Jacobs, *supra* note 1, § 2C[2], at 2-50.

14. §§ 101, 102(a).

15. § 103 (1994).

16. Chisum & Jacobs, *supra* note 1, § 2C[3], at 2-52 to 2-53.

art would have been obvious to a person having ordinary skill in the art to which the invention pertains.<sup>17</sup>

Even if the invention meets the four patentability requirements, the patent still may be defeated by the “statutory bars,”<sup>18</sup> which prevent patenting of inventions that have been in the public domain long enough for the public to have come to rely on their free availability.<sup>19</sup> The statutory bars forbid patenting in two situations. First, a patent is forbidden if the invention has been patented or described in a printed publication anywhere in the world more than one year before the date the application was filed.<sup>20</sup> Second, a patent is forbidden if the invention was “on sale” or “in public use” in the United States<sup>21</sup> more than one year prior to the date the patent application was filed.

## 2. *Procedure Subsequent to Initial Examination*

Following the initial examination, the patent examiner enters an “office action” that serves several functions: cites the most relevant prior art resulting from the search; indicates allowance or rejection of each claim in the application in light of the prior art; cites the statutory basis for each claim rejected along with pertinent prior art and comments; and sets a time period for response.<sup>22</sup> If the office action is favorable, the patent proceeds to issuance. If the office action is adverse, the patent attorney either can abandon the application or proceed with prosecution. If the prosecution proceeds, the attorney can amend relevant portions of the application, present further factual information supporting patentability, or attempt to distinguish prior art cited by the examiner in rejecting the claims.<sup>23</sup> In such a case, the application is resubmitted to the PTO where the examiner re-evaluates the application and makes another

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17. § 103; Chisum & Jacobs, *supra* note 1, § 2C[4], at 2-56.

18. § 102(b) (1994).

19. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 860 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986).

20. § 102(b); *see also* Chisum & Jacobs, *supra* note 1, § 2C[5].

21. Public use or on-sale activity of an invention by anyone, with or without the consent or knowledge of the applicant claiming a patent for the invention, constitutes a statutory bar to the receipt of a patent. *Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5, 19-20 (1939); *Andrews v. Hovey*, 124 U.S. 694, 718-19 (1888); *Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423, 429 (3d Cir. 1948).

22. 35 U.S.C. § 132 (1994); 37 C.F.R. § 1.104(b) (1995); 37 C.F.R. § 1.106; Chisum & Jacobs, *supra* note 1, § 2D[1], at 2-106.

23. *See* Chisum & Jacobs, *supra* note 1, § 2D[1], at 2-105.

decision. This cycle can be repeated several times, although current PTO practice makes the second rejection final in most cases.<sup>24</sup>

Examination usually is considered an *ex parte* proceeding. Until the examiner's first office action the proceeding is truly *ex parte*, as the attorney is prohibited from contacting the examiner.<sup>25</sup> Following the first office action, the proceeding takes on more of an adversarial character: the attorney can contact the examiner by phone or in person, can correspond actively with the examiner, and can argue with the examiner about the patentability of the invention.<sup>26</sup> The examiner can demand proof of assertions made, narrowing of patent claims, and explanations of prior art.<sup>27</sup>

### B. Patent Litigation

Patent litigation takes place in federal court<sup>28</sup> and in most respects is like any other type of litigation. Patent suits can arise in two ways: through an infringement suit or through an invalidation action. In an infringement suit, the patentee accuses another party of infringement and usually demands damages and injunctive relief in the form of an order to cease infringement. The alleged infringer may assert as a defense that there is no infringement, that it has a license on the patent, that the patent is invalid, or that the patent is unenforceable because of inequitable conduct before the PTO during prosecution.<sup>29</sup> In an invalidation proceeding, an actual or potential infringer seeks to absolve itself of liability by having the patent declared invalid for technical reasons or unenforceable because of inequitable conduct during prosecution.

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24. 37 C.F.R. § 1.113(a) (1995); Chisum & Jacobs, *supra* note 1, § 2D[1], at 2-107 n.21.

25. 37 C.F.R. § 1.133(a) (1995).

26. See Chisum & Jacobs, *supra* note 1, § 2D[1], at 2-106 to 2-107.

27. *Id.*

28. The federal government exercises exclusive subject matter jurisdiction over patents. U.S. Const. art. I, § 8, cl. 8; 28 U.S.C. § 1338(a) (1994). Patent trials may take place in any federal district court, but all patent appeals must be heard by the U.S. Court of Appeals for the Federal Circuit, which exercises exclusive appellate jurisdiction over patent matters. 28 U.S.C. § 1295(a)(4) (1994); see also Chisum & Jacobs, *supra* note 1, at 2-17 to 2-18.

29. See generally 5 Chisum, *supra* note 7, § 19.03 (discussing defenses to patent infringement related to fraudulent procurement).

C. *The PTO's Duty of Candor*

1. *Elements of the Duty of Candor*

Attorneys prosecuting patents are subject to the PTO's Rule 56, which prescribes a duty of candor towards the PTO:

Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability . . . .<sup>30</sup>

This deceptively simple rule has several elements that require elaboration, including its scope, its definition of materiality, its duration, and the persons to whom the duty applies.

The scope of the duty of candor is not as broad as it seems on first reading. The duty of candor does not require disclosure of all information relevant to the application and creates no affirmative duty to search for material information; it only requires disclosure of information known by the applicant to both exist and be material.<sup>31</sup> The standard is not a should-have-known standard; actual knowledge of the information and its materiality is necessary.<sup>32</sup> To breach the duty, a failure to disclose must be intentional and not merely negligent or grossly negligent,<sup>33</sup> but the necessary level of intent varies with the materiality of the information.<sup>34</sup>

The second important element of the duty of candor is the definition of materiality.<sup>35</sup> This definition has gone through several incarnations, including the objective and subjective "but for" standards<sup>36</sup> and the

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30. 37 C.F.R. § 1.56(a) (1995).

31. *FMC Corp. v. Hennessy Indus.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1362 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984); 57 Fed. Reg. 2025 (1992); 56 Fed. Reg. 37,322 (proposed Aug. 6, 1991).

32. 37 C.F.R. § 1.56(a); 57 Fed. Reg. 2022 (1992).

33. 37 C.F.R. § 1.56(a); *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989).

34. *American Hoist & Derrick*, 725 F.2d at 1363.

35. 37 C.F.R. § 1.56(b) (1995).

36. Under the objective "but for" standard, information was material if a reasonable examiner would not have issued the patent but for the omission of the information. The subjective "but for" defines information as material if that particular examiner would not have issued the patent but for the omission. *See* 5 Chisum, *supra* note 7, § 19.03[3][a] (discussing judicially developed materiality tests).

“relevant to a reasonable examiner” standard.<sup>37</sup> The latest PTO definition establishes two tests for materiality. First, information is material if it is not cumulative<sup>38</sup> and establishes a prima facie case of unpatentability<sup>39</sup> before the introduction of rebuttal information. Second, information is material if it is not cumulative and is inconsistent with a position taken by the applicant before the PTO.<sup>40</sup> Thus, if the applicant opposes an argument of unpatentability or asserts an argument of patentability, the information must be consistent with the argument; if it is not, the information is material. The PTO recognizes that in the course of a patent prosecution a practitioner will have to make good faith judgments on materiality,<sup>41</sup> but the office encourages disclosure when there is doubt<sup>42</sup> and reserves the ultimate determination of materiality to itself.<sup>43</sup>

The third and fourth important elements of the duty of candor are its duration and the people to whom it applies. The duty applies throughout the entire prosecution, from initial contact with the PTO until issuance of the patent, and applies to all claims in the patent that are not canceled or abandoned.<sup>44</sup> If a breach of the duty occurs during prosecution, it may be cured under certain circumstances if disclosure is made to the PTO before issuance of the patent.<sup>45</sup> The duty of candor applies to all people

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37. Under this standard, information was material if a reasonable examiner would have considered it relevant in evaluating the patent. *See, e.g., J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985); *see also* 5 Chisum, *supra* note 7, § 19.03[3][a].

38. 37 C.F.R. § 1.56(b). Information is cumulative if it is substantially the same as information already in the record or being made of record in connection with the patent application. 57 Fed. Reg. 2022 (1992). The rule thus prevents unnecessary duplication of information.

39. 37 C.F.R. § 1.56(b)(1). What constitutes a prima facie case of unpatentability is unclear. Presumably, material information either prima facie negates one of the four statutory patentability requirements or prima facie establishes one of the statutory bars. *See discussion supra* part I.A.1. Prima facie unpatentability is determined using the preponderance of the evidence standard, giving each term its broadest possible interpretation. § 1.56(b).

40. § 1.56(b)(2).

41. 57 Fed. Reg. 2023 (1992).

42. 57 Fed. Reg. 2023.

43. 56 Fed. Reg. 37,324 (1991) (proposed Aug. 6, 1991).

44. 37 C.F.R. § 1.56(a); *see Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1457 (Fed. Cir. 1984).

45. Three conditions must be met to cure inequitable conduct during prosecution. First, the applicant must expressly advise the PTO of the existence of a prior misrepresentation, stating specifically where it resides. Second, the applicant must advise the PTO of the actual facts, if the prior misrepresentation was factual, and must indicate that further examination may be required. Finally, the applicant must establish the patentability of the claimed subject matter. *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984); *see also* 5 Chisum, *supra* note 7, § 19.03[6][a], at 19-249 to 19-251.

substantively involved in the preparation and prosecution of a patent application, including the inventor, the patent attorney, and any employees of the inventor or attorney.<sup>46</sup> Inventors and attorneys can discharge their duty only through disclosure directly to the PTO; employees of the inventor or attorney may discharge their duty by disclosure to their employer.<sup>47</sup> Disclosures must be in writing,<sup>48</sup> and are usually accomplished through an information disclosure statement.<sup>49</sup>

## 2. *Purpose and Policy of the Duty of Candor*

The duty of candor is a judicially-created doctrine originating in efforts by the courts to prevent fraudulent patent procurement. Fraudulent procurement always has been recognized as improper,<sup>50</sup> and as grounds for invalidating a patent. Initially, invalidation required a showing that the patentee or the patentee's agents committed common-law fraud upon the PTO. Common-law fraud requires, among other things, intent and misrepresentation by the patentee, and reliance upon the misrepresentation by the PTO.<sup>51</sup> In a series of decisions, the U.S. Supreme Court reduced the showing necessary for unenforceability of a patent by recognizing "inequitable conduct" as a defense to patent infringement under the equitable doctrine of unclean hands.<sup>52</sup> In reducing

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46. 37 C.F.R. § 1.56(c) (1995).

47. 37 C.F.R. § 1.56(a), (d) (1995).

48. 37 C.F.R. § 1.2 (1995); U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* § 2002.02 (6th ed. rev. 1996).

49. An information disclosure statement must include: (1) a list of all patents, publications, and other information submitted for consideration by the PTO; (2) legible copies of each U.S. and foreign patent, including a translation of any non-English document; and (3) an explanation of the relevance of each reference that is not in the English language. 37 C.F.R. § 1.98 (1995); see also 3 Chisum, *supra* note 7, § 11.03[4][c][iii], at 11-200 to 11-203.

50. See, e.g., Patent Act of 1790, Ch. 7, § 5, 1 Stat. 109, 111 (amended 1793) (providing for private suits to invalidate fraudulently obtained patents).

51. Common law fraud requires a showing of seven elements: (1) a representation; (2) of a material fact; (3) the falsity of such representation; (4) scienter or intent to deceive, coupled with knowledge of falsity; (5) reasonable reliance by the party to whom the representation is made; (6) deception of the relying party by virtue of their reliance; and (7) injury to the relying party resulting from their reliance. See 2 Peter D. Rosenberg, *Patent Law Fundamentals* § 15.08[1][a], at 15-180 to 15-181 (2d ed. 1996).

52. Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965); Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806 (1945); Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238 (1944); Keystone Driller Co. v. General Excavator Co., 290 U.S. 240 (1933). Under the doctrine of unclean hands, a court of equity may deny relief to a party whose conduct has been inequitable, unfair, and deceitful, but the doctrine applies only when the reprehensible conduct pertains to the controversy at issue. *Black's Law Dictionary* 1524 (6th ed.

the standard to inequitable conduct,<sup>53</sup> the Court articulated a duty of candor, breach of which would be considered inequitable conduct.<sup>54</sup>

To keep abreast of this developing judicial doctrine, the PTO enacted Rule 56, its provision dealing with fraudulent procurement. Initially, the provision did not expressly deal with the duty of candor, but courts interpreting the rule soon held that "fraud" under Rule 56 included breach of this duty.<sup>55</sup> In 1977, the PTO amended Rule 56 to include an express duty of candor.<sup>56</sup> Subsequent court decisions differed on the meaning of the new PTO rule: some saw it merely as a codification of the existing PTO standard of conduct,<sup>57</sup> while others saw it as a vast expansion of the judicial doctrines.<sup>58</sup> Under the amended Rule 56, there was a proliferation of inequitable conduct charges in patent litigation and a variety of interpretations of the elements of the duty of candor.<sup>59</sup> In 1992, the PTO amended Rule 56 to clarify certain elements of the duty.<sup>60</sup>

The duty of candor as a means of preventing fraudulent procurement usually is justified on three grounds. First, a patent affects an important public interest<sup>61</sup> because of the limited monopoly which it confers.<sup>62</sup> Because of a patent's potential economic impact it is necessary, insofar as possible, to assure that the patent system functions properly and free of fraud; this will happen only if the PTO considers all material

1990). In the patent context, the doctrine of unclean hands means that a party who obtained a patent through inequitable conduct is not entitled to its enforcement.

53. Inequitable conduct is used when all the elements of common law fraud are not present. *See* Rosenberg, *supra* note 51, § 15.08[1][a], at 15-180.

54. *Precision Instrument*, 324 U.S. at 813 (stating that patent practitioners have "an uncompromising duty to report to [the patent office] all facts concerning possible fraud or inequitable conduct underlying the applications in issue").

55. *Norton v. Curtiss*, 433 F.2d 779, 794 (C.C.F.A. 1970).

56. 42 Fed. Reg. 5593 (Jan. 28, 1977).

57. *See, e.g., In re Jerabek*, 789 F.2d 886, 890 n.10 (Fed. Cir. 1986) ("[T]he present PTO standard . . . codifies the PTO policy on fraud and inequitable conduct . . ."); *see also* 3 Chisum, *supra* note 7, § 11.03[4][b][ii], at 11-163.

58. *See, e.g., In re Harita*, 847 F.2d 801, 808 (Fed. Cir. 1988) ("The PTO mischaracterizes [Rule 56] as a 'codification'—a word of very elastic meaning—the fact being that it has inaugurated a whole new way of life in the prosecution of patent applications.").

59. *See, e.g., Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague.").

60. 57 Fed. Reg. 2021 (1992).

61. *See, e.g., Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246 (1944).

62. A patent gives the inventor the exclusive right to make, use, or sell the invention in the United States. 35 U.S.C. § 271(a) (1994). A patent lasts for 20 years from the filing date. 35 U.S.C. § 154(a)(2) (1994).

information before granting a patent.<sup>63</sup> Second, patent examination is considered an ex parte proceeding, so that the adversarial process cannot be relied upon to force the parties to develop the full facts of the case.<sup>64</sup> There is no incentive for the applicant to disclose unfavorable information, and in some cases—such as the “on sale” and “in use” statutory bars<sup>65</sup>—the applicant may be the sole source of relevant information. Unlike an adversarial proceeding, the examiner cannot compel production of evidence by the applicant, so the duty to disclose is placed squarely upon the applicant and the applicant’s agents to provide the incentive to reveal unfavorable information. The final justification for the duty of candor is more pragmatic. The PTO, faced with an increasing volume of applications, relies upon the applicant to provide it with material to be used for consideration of the patent and to relieve it of the duty of conducting extensive prior art searches.<sup>66</sup> The duty of candor thus helps the PTO conduct an efficient operation.

### 3. *Enforcement of the Duty of Candor*

Enforcement of the duty of candor takes place primarily in the federal courts during patent litigation, although there is limited enforcement at the PTO. In the federal courts, a breach of the duty of candor is punished through a finding of inequitable conduct. Charges of inequitable conduct usually arise when an accused patent infringer asserts as a defense that the patent is unenforceable because of inequitable conduct in its procurement.<sup>67</sup> Once placed in issue, inequitable conduct is determined using a two-part test. First, both the materiality of the information withheld and the intent of the patentee or the patentee’s agent in withholding it must exceed threshold levels.<sup>68</sup> The thresholds presumably ensure that, if there is no intent or materiality, or if both are minimal, the court’s time is not wasted on a de minimis issue. Second, if threshold levels are met, the court performs a balancing test between materiality

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63. See 37 C.F.R. § 1.56(a).

64. Courts, however, have recognized that prosecution is not fully ex-parte. It is instead more of a hybrid proceeding having elements of ex parte and adversarial proceedings. See *infra* note 164.

65. For a discussion of the statutory bars, see *supra* part I.A.1.

66. *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 428 F.2d 555, 564–65 (5th Cir. 1970).

67. See discussion *supra* part I.B.

68. *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1559–60 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985). The threshold degree of materiality may be established using the PTO’s materiality test. The threshold degree of intent is established either by direct evidence, or by indirect evidence such as showing acts the natural consequences of which are presumably intended by the actor. *Id.*

and intent to decide if inequitable conduct has occurred.<sup>69</sup> A finding of inequitable conduct can lead to severe penalties for the patentee and the attorney. For the patentee, the penalty is outright unenforceability of the entire patent.<sup>70</sup> If the breach is particularly egregious, the case may qualify as exceptional and result in an award of attorney's fees to the accused infringer.<sup>71</sup> For the attorney, committing inequitable conduct can result in disciplinary action by the PTO.<sup>72</sup>

PTO enforcement of the duty of candor is primarily restricted to disciplinary action against practitioners. Breach of the duty of candor is a violation of the PTO Code of Professional Responsibility<sup>73</sup> and may result in sanctions<sup>74</sup> such as suspension<sup>75</sup> or disbarment.<sup>76</sup> Although Rule 56 states that the PTO will not issue patents found to be tainted by fraud,<sup>77</sup> the PTO no longer enforces the duty of candor by striking or rejecting patent applications<sup>78</sup> because the courts are seen as a better forum for determining the necessary element of intent.<sup>79</sup> The PTO, however, reserves the right under its inherent powers to strike or reject applications in cases where violations are particularly egregious.<sup>80</sup>

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69. An intent to deceive and materiality are inverse elements in that a greater showing of one requires a lesser showing of the other. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

70. *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989); *J.P. Stevens*, 747 F.2d at 1559. *See generally* 5 Chisum, *supra* note 7, § 19.03[6][b]. The patent is not invalidated; it is merely held unenforceable, although the distinction between the two is truly minimal. *Id.* at 19-252.

71. 35 U.S.C. § 285 (1994).

72. *See* 5 Chisum, *supra* note 7, § 19.03[6][j], at 19-281.

73. 37 C.F.R. § 10.23(c)(10) (1995).

74. *See, e.g.*, *Jaskiewicz v. Mossinghoff*, 822 F.2d 1053, 1057 (Fed. Cir. 1987) ("[W]here a person entitled to practice before the PTO has breached that duty of candor . . . it may well be appropriate or necessary to issue sanctions directly against that attorney . . .").

75. *See, e.g.*, *Kingsland v. Dorsey*, 338 U.S. 318, 319 (1949) (affirming disbarment of practitioner found to have breached duty of candor); *Klein v. Peterson*, 866 F.2d 412, 417 (Fed. Cir.) (affirming two year suspension and five year probation for practitioner who violated duty of candor), *cert. denied*, 490 U.S. 1091 (1989).

76. *See generally* Steven E. Lipman, *Prosecution of Practitioners for Violation of the PTO Code of Professional Responsibility: Facing the Realities of Losing Your License*, 14 AIPLA Q.J. 119 (1986); Cameron Weiffenbach, *Attorney Conduct and the U.S. Patent and Trademark Office*, 14 AIPLA Q.J. 73 (1986).

77. 37 C.F.R. § 1.56(a).

78. 56 Fed. Reg. 37,323 (1991) (proposed Aug. 6, 1991).

79. *See* 3 Chisum, *supra* note 7, § 11.03[4][b][iv], at 11-177 to 11-178.

80. 56 Fed. Reg. 37,323.

## II. ATTORNEY-CLIENT PRIVILEGE AND ITS APPLICATION TO PATENT PROSECUTION

### A. *The Attorney-Client Privilege*

#### 1. *Confidentiality and Attorney-Client Privilege*

Confidentiality and the attorney-client privilege are different concepts. Confidentiality is a broad rule of professional conduct that prevents disclosure of any information related to the representation of the client.<sup>81</sup> Although confidentiality serves as the underlying premise of the attorney-client privilege,<sup>82</sup> the privilege is a much narrower evidentiary rule<sup>83</sup> that protects only against compelled disclosure of communications between attorney and client. Thus, the privilege may be viewed as a tool for maintaining confidentiality, and failure by the attorney to properly and timely assert the privilege where applicable will violate the duty of confidentiality.<sup>84</sup>

The narrow scope of attorney-client privilege compared to confidentiality is a crucial limitation. The privilege applies only to the communication between lawyer and client, not to the underlying information contained in the communication.<sup>85</sup> Thus, the privilege does not prevent disclosure of information that is independently discoverable just because the same information was communicated to a lawyer. For the attorney, the distinction between the communication and the information makes it important to know the source of the client's information. If the underlying information is common knowledge or knowledge in the public domain, it may be disclosed if disclosure can be accomplished without revealing that the client is a source of the information, and without revealing the communication itself.<sup>86</sup> But if the information is private and the client is the sole source of the information, then the communication is the information and neither may be disclosed.

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81. *Model Rules of Professional Conduct* Rule 1.6 (1995); PTO Code of Professional Responsibility, 37 C.F.R. §§ 10.56-.57 (1995). It is unclear whether, during PTO practice, the attorney is subject to both sets of rules of conduct, or whether the PTO rules fully or partially preempt a state bar's conduct rules. See Paul I. Herman, Note, *Can Thou Serve Two Masters?—The Texas Disciplinary Rules of Professional Conduct v. The Patent and Trademark Office Code of Professional Responsibility*, 2 Tex. Intell. Prop. L.J. 31 (1993).

82. *Model Rules of Professional Conduct* Rule 1.6 cmt. 5.

83. Fed. R. Evid. 501; Fed. R. Civ. P. 26(b)(1).

84. *Model Rules of Professional Conduct* Rule 1.6 cmt. 20.

85. Paul R. Rice, *Attorney-Client Privilege in the United States* § 5:1, at 288 (1993).

86. *Id.* § 5:1, at 300-01.

A contrived example illustrates the principle. Suppose the client sends a letter to the attorney in the course of representation stating that (1) the White House is in Washington, D.C., and (2) the client has a secret Swiss bank account. If asked, the lawyer cannot refuse to say where the White House is because that is common knowledge. But if asked about Swiss bank accounts, the lawyer can refuse to disclose the client's secret account because the client's communication is the sole source of the lawyer's information, and thus the communication *is* the information. This example presumes that all other conditions for the application of attorney-client privilege are met. These conditions include the existence of an actual or prospective attorney-client relationship, the establishment and maintenance of confidentiality, and the lack of waiver of the privilege by the client. Each of these conditions is discussed below.

## 2. *The Law of Attorney-Client Privilege*

The basic requirements for protection under the privilege were defined by Professor Wigmore<sup>87</sup> and elaborated upon by Judge Wyzanski.<sup>88</sup> Under the Wyzanski test,<sup>89</sup> attorney-client privilege requires the party asserting privilege to show 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 the communication is acting as a lawyer.
3. The communication relates to a fact of which the attorney was informed:
  - (a) by the client; and
  - (b) without the presence of strangers.
4. For the primary purpose of securing either:
  - (a) legal services; or
  - (b) assistance in some legal proceeding; but not
  - (c) for the purpose of committing a crime or tort.

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87. 8 John H. Wigmore & John T. McNaughton, *Wigmore on Evidence* § 229.2, at 554 (6th rev. ed. 1961).

88. *United States v. United States Shoe Mach. Corp.*, 89 F. Supp. 357 (D. Mass. 1950). Although worded slightly differently, both the Wigmore and Wyzanski tests encompass the same elements. See Gregg F. LoCascio, *Reassessing Attorney-Client Privileged Legal Advice in Patent Litigation*, 69 Notre Dame L. Rev. 1203, 1230 (1994) (providing exhaustive linguistic analysis of both rules).

89. *United States Shoe*, 89 F. Supp. at 358-59.

5. The privilege has been:
  - (a) claimed; and
  - (b) not waived by the client.

Although the test contains five elements, it comprises only three concepts. The first, second, and fourth elements together refer to the attorney-client relationship and the duration of the privilege. The third element encompasses a confidentiality requirement. The fifth element is a requirement that the privilege not be waived.

The second and fourth elements refer to the existence and nature of the attorney-client relationship. At least one of the parties must be a practicing attorney and must be acting as such in connection with the particular communication, and the purpose of the relationship must be the rendering of legal services. The fourth element also contains one of the most important exceptions to the privilege—that legal advice not be sought from the lawyer for the purpose of committing a crime, fraud, or tort. The first element refers to the duration of the privilege, which differs from the duration of the attorney-client relationship. The privilege applies before formation of the attorney-client relationship: initial interviews between lawyer and client are covered by the privilege, even if the interview never leads to formal representation or other engagement of the lawyer's services.<sup>90</sup> If a relationship is formed, the privilege covers all communications made during the relationship, and as to such communications survives termination of that relationship and even the client's death. However, communications made after the end of the relationship are not privileged.<sup>91</sup>

The confidentiality requirement contained in the third element of the Wyzanski test has three parts.<sup>92</sup> First, the client must have intended the communication with the attorney to be confidential. Second, the client's subjective expectation of confidentiality must have been reasonable under the circumstances. Third, confidentiality must have been subsequently maintained. The objective dimension—that the expectation of confidentiality be reasonable—usually negates the privilege where the

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90. *In re Grand Jury Proceedings (Pavlick)*, 663 F.2d 1057, 1060 (5th Cir. 1981) ("The existence of the privilege cannot be limited to instances in which the attorney-client relationship comes to full fruition . . . . If that were required, a person would be compelled to retain the first attorney consulted in order to preserve the privilege."), *vacated and rev'd on other grounds*, 680 F.2d 1026 (5th Cir. 1982); *see also Rice*, *supra* note 85, § 2:4, at 57–58.

91. *See Rice*, *supra* note 85, § 2:4, at 66–67.

92. *Id.* § 6:1, at 383–84.

communication is intended to be relayed to a party outside the attorney-client relationship.<sup>93</sup>

The fifth element of the test covers waiver of the privilege. The attorney-client privilege may be waived by the client, who is the holder of the privilege. Waiver may be express, or it may be implied by words or conduct inconsistent with maintaining the privilege.<sup>94</sup> In addition, neither lawyer nor client can selectively disclose confidential parts of a privileged communication:<sup>95</sup> waiver through disclosure of part of the communication represents a waiver as to the whole communication.<sup>96</sup> Courts determine the level of disclosure that triggers a waiver utilizing a standard of fairness that takes into account the amount and nature of the material disclosed, the context of the disclosure (for example, whether it was judicially compelled over objection), and the gain realized by the privilege holder through the selective disclosure.<sup>97</sup>

Once attorney-client privilege applies to a communication, its protection is absolute; no showing of need, good cause, or unavailability of the evidence—no matter how severely they affect the requester—will defeat the privilege. But despite its absolute protection, there are several exceptions to the attorney-client privilege.<sup>98</sup> The most important of these for the purposes of this Comment is the crime/fraud/tort exception, discussed below.

### 3. *The Crime/Fraud/Tort Exception to Attorney-Client Privilege*

As with most legal rules, there are exceptions to the attorney-client privilege that prevent its application even if all its conditions are met. The most important exception is the crime/fraud/tort exception, contained in element 4(c) of the Wyzanski test. This exception aims to prevent abuse of the attorney-client relationship by the client. If a client consults an attorney with the intent or purpose of committing a wrong,

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93. *Id.* § 6:9, at 424–25.

94. For example, disclosure of privileged material to third parties who are not agents of the attorney or client, an act forbidden by element 3(b) of the Wyzanski test, will waive the privilege. *Id.* § 9:27, at 9-55 to 9-56.

95. *Id.* § 9:28, at 9-64.

96. *Id.* § 9:28, at 9-66.

97. *Id.* § 9:28, at 9-66 to 9-70.

98. There are four exceptions: (1) joint client representation, where parties jointly retain the services of an attorney as their common agent on a matter of common interest; (2) actions by individuals to whom a fiduciary duty is owed; (3) contested wills; and (4) cases where legal advice is sought for the purpose of committing a crime, fraud, or tort. *Id.* ch. 8. Exceptions to the privilege are not granted for “unavailability,” “good cause,” or “necessity.” *Id.*

then the privilege will not apply. To defeat the privilege under this exception, the party seeking to invoke the exception must make a prima facie showing of four factors: that the client was engaged in wrongful conduct when the attorney was consulted; that the client was planning such conduct when the advice was sought; that the attorney's assistance either furthered a criminal, fraudulent, or tortious activity or was closely related to such activity; and that there is a connection between the alleged wrongs and the consultation with the attorney.<sup>99</sup> There is no need to show that the attorney was aware of the client's endeavors or participated in them.<sup>100</sup>

Application of the crime/fraud/tort exception focuses on the intent of the client, because the client is the holder of the privilege and the exception is meant to prevent abuse of the attorney-client relationship by the client. A lawyer's culpable intent, however, can sometimes be imputed to the client. If the lawyer's intent is demonstrated, it raises a reasonable suspicion that the client either solicited that type of advice or was aware of the advice's character, and is sufficient to justify an in-camera inspection of the communication sought to be protected.<sup>101</sup> If the communication and other evidence submitted to the judge demonstrate that the client was a conscious participant in the illegal enterprise, then the crime/fraud/tort exception will apply and the communication must be revealed to whoever seeks to compel its disclosure.<sup>102</sup>

#### 4. *Policy of the Attorney-Client Privilege*

The attorney-client privilege is a recognized evidentiary and discovery rule with common law origins.<sup>103</sup> The privilege is a policy exception to the rule that the courts and public are entitled to each person's evidence,<sup>104</sup> arrived at by subjugating the court's evidentiary requirements to the public's need for freedom of consultation with lawyers. The privilege is thought to increase the effectiveness of the legal

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99. *Id.* § 8:3.

100. *Id.* § 8:4.

101. *United States v. Zolin*, 491 U.S. 554, 568 (1989) ("Disclosure of allegedly privileged materials to the district court for purposes of determining the merits of a claim of privilege does not have the legal effect of terminating the privilege."). *See generally* Rice, *supra* note 85, § 8:4. During an in-camera ("in chambers") inspection, the judge reviews communications alleged to be protected by attorney-client privilege to determine whether application of the exception is justified.

102. *See* Rice, *supra* note 85, § 8:4, at 575.

103. *Id.* § 2:1, at 46 n.1.

104. *See* *Upjohn v. United States*, 449 U.S. 383, 386 (1981); *United States v. Bryan*, 339 U.S. 323, 331 (1950); Rice, *supra* note 85, § 2:3, at 51.

people to seek legal advice freely. By protecting communications designed to obtain legal advice, clients will be more candid in revealing the situation upon which they seek advice. The lawyer will thus have complete facts and can render complete and effective legal advice and assistance so that clients will understand their obligations and responsibilities under the law.<sup>105</sup>

Critics of the privilege point out that it obstructs justice,<sup>106</sup> but it is unclear how the privilege obstructs the truth, because it only conceals information that might never have come to light but for the privilege.<sup>107</sup> The long-term social benefits of the privilege are thought to outweigh the immediate cost of "lost evidence."<sup>108</sup> Because the benefits of the attorney-client privilege are speculative, the privilege always is construed as narrowly as possible consistent with its purpose to avoid giving away any more evidence than necessary.<sup>109</sup>

### *B. The Attorney-Client Privilege in Patent Prosecution*

Application of attorney-client privilege in a simultaneous representation case does not seem to have been considered by the courts. In the context of single client representation, courts have focused upon whether the privilege covers information revealed to the lawyer which was immaterial to the patent and was not disclosed to the PTO. Material information would not be protected by privilege because the client would know that material information would have to be forwarded to the PTO and the client thus had no expectation of confidentiality, either subjective or objective.<sup>110</sup>

The courts' application of the privilege to communications that occur during patent prosecution has produced an inconsistent body of case law. These inconsistencies originate from three sources: misconceptions about the work of the patent attorney, misinterpretation of the duty of candor,

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105. See Rice, *supra* note 85, § 2:3.

106. *Id.* § 2:3, at 56 n.38.

107. *Id.* § 2:3, at 56-57.

108. *Id.* § 2:3, at 54.

109. *United States v. Nixon*, 418 U.S. 683, 710 (1974) ("[E]xceptions to the demand for every man's evidence are not lightly created nor expansively construed, for they are in derogation of the search for the truth."); see also Rice, *supra* note 85, § 2:3, at 55-56; Wigmore, *supra* note 87, § 2291, at 554 ("[The] benefits [of the privilege] are all indirect and speculative [and] its obstruction is plain and concrete . . . [The privilege] ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle.").

110. See *infra* note 150 and accompanying text.

and misunderstanding of the attorney-client privilege. In early cases, patent attorneys were denied the privilege because they were not considered to be engaged in the practice of law<sup>111</sup> and therefore did not qualify for the privilege because they did not meet elements 2(b) and 4(a) of the Wyzanski test.<sup>112</sup> Instead, they were seen as mere scribes performing a ministerial function in transmitting the client's technical information to the PTO for examination. The U.S. Supreme Court struck down this line of reasoning, but only held that patent attorneys practice law.<sup>113</sup> The Court did not address whether preparation of patent applications constitutes the practice of law, but most courts have applied the Court's holding to this aspect of patent practice.<sup>114</sup>

Having recognized that patent attorneys practice law, the courts seized upon the "conduit theory" to deny the privilege to patent attorneys.<sup>115</sup> The seminal case in conduit theory is *Jack Winter, Inc. v. Koratron Co.*<sup>116</sup> *Jack Winter* interpreted the duty of candor as all-encompassing: all information conveyed to the patent attorney—whether material or not—was to be disclosed to the PTO.<sup>117</sup> This broad reading of the duty of candor meant that, under the third element of the Wyzanski test,<sup>118</sup> the client never had a reasonable expectation of confidentiality and thus the privilege did not attach. In the court's opinion, the patent attorney had no discretion in selecting information to be disclosed to the PTO; the attorney was merely a conduit by which all inventor information was transferred to the PTO.<sup>119</sup> Many courts continue to apply conduit theory to patent attorneys.<sup>120</sup>

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111. *See, e.g., Georgia-Pacific Plywood Co. v. United States Plywood Corp.*, 18 F.R.D. 463 (S.D.N.Y. 1956); *Zenith Radio Corp. v. Radio Corp. of Am.*, 121 F. Supp. 792 (D. Del. 1954).

112. Element 2(b) requires that the person to whom the client communicates be acting as a lawyer in connection with the communication. Element 4(a) requires that the communication be for the primary purpose of securing legal services. *See supra* part II.A.2.

113. *Sperry v. Florida*, 373 U.S. 379, 383 (1949) ("We do not question the determination that . . . the preparation and prosecution of patent applications for others constitutes the practice of law."):

114. *Rice, supra* note 85, § 7:23, at 547.

115. Conduit theory gets its name from the fact that it treats the patent attorney as merely an information conduit between the inventor and the PTO.

116. 50 F.R.D. 225 (N.D. Cal. 1970).

117. *Id.*

118. The third element of the Wyzanski test requires that clients have a reasonable expectation of confidentiality in their communication with the lawyer. *See supra* part II.A.2.

119. *Jack Winter*, 50 F.R.D. at 228–29.

120. *See, e.g., Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co.*, 132 F.R.D. 204 (N.D. Ind. 1990) (ordering disclosure of draft applications), *aff'd*, 11 F.3d 1072 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 2136 (1994); *Quantum Corp. v. Western Digital Corp.*, 15 U.S.P.Q.2d

A later opinion addressing the issue of privilege in patent prosecution, *Knogo Corp. v. United States*,<sup>121</sup> deemed the *Jack Winter* logic unsound on two grounds. First, *Knogo* found that *Jack Winter* relied on misconceptions about the role of the patent attorney in prosecution:

A distinction can be made between the duty to disclose how to make and use the invention and the mere funneling of technical information from the client through the attorney to the Patent Office. The former is the job of the patent attorney, while the latter is an inaccurate, and uninformed characterization of the patent attorney's role in the preparation and prosecution of a patent application.<sup>122</sup>

Second, *Knogo* found that *Jack Winter*'s overly broad reading of the duty of candor was inappropriate. The court noted that the duty of candor is not absolute and only requires disclosure of information that is material to a patent application.<sup>123</sup> The *Knogo* court thus concluded that application of attorney-client privilege to information immaterial to prosecution was appropriate. Like *Jack Winter*, *Knogo* also has many adherents in the case law.<sup>124</sup>

A final ground for denying the privilege to patent attorneys is presented in *American Standard v. Pfizer*.<sup>125</sup> The *American Standard*

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(BNA) 1062 (N.D. Cal. 1990) (ordering production of draft applications and transmittal letters); *Howes v. Medical Components, Inc.*, 7 U.S.P.Q.2d (BNA) 1511 (E.D. Pa. 1988) (ordering production of draft applications and cover letters); *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 10 (N.D. Ill. 1980) (ordering production of patent disclosures, draft applications, purely technical information, and prior art studies); *Hercules Inc. v. Exxon Corp.*, 434 F. Supp. 136, 144 (D. Del. 1977) (ordering production of purely technical information).

121. 213 U.S.P.Q. (BNA) 936 (Ct. Cl. 1980).

122. *Id.* at 940.

123. *Id.*

124. *See, e.g.*, *Rohm & Haas Co. v. Brotech Corp.*, 815 F. Supp. 793, 796 (D. Del. 1993) (extending protection to draft patent applications and associated notes), *aff'd*, 19 F.3d 41 (Fed. Cir. 1994); *Ball Corp. v. American Nat'l Can Co.*, 27 U.S.P.Q.2d (BNA) 1958, 1959 (S.D. Ind. 1993) ("[T]he duty of candor to the PTO . . . should not override the attorney client privilege."); *Advanced Cardiovascular Sys. Inc. v. C.R. Bard, Inc.*, 144 F.R.D. 372, 378 (N.D. Cal. 1992) (stating that communications between inventor and attorney are presumptively protected, even if they consist entirely of technical information); *Minnesota Mining & Mfg. Co. v. Ampad Corp.*, 7 U.S.P.Q.2d (BNA) 1589, 1590-91 (D. Mass. 1987) (extending protection to inventor's memorandum describing invention); *Synair Corp. v. American Indus. Tire, Inc.*, 645 F. Supp. 1080, 1084 (S.D. Tex. 1986) ("[M]aterial information falls outside the attorney/client privilege."); *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. (BNA) 150, 152 (W.D. Mo. 1985) (protecting inventor's memorandum on prior art).

125. 828 F.2d 734 (Fed. Cir. 1987).

court allowed discovery of an attorney opinion letter<sup>126</sup> because it contained an analysis of publicly available prior art. The court reasoned that the document was not protected by the privilege because it contained publicly available information.<sup>127</sup> *American Standard* has been criticized severely for misunderstanding the attorney-client privilege.<sup>128</sup> The misunderstanding stems from the court's focus on the information rather than the communication. Although the underlying information was public and thus not protected by the privilege, the communication itself—the attorney's opinion letter—was protected and should not have been disclosed.<sup>129</sup>

### III. RESOLVING THE PRIVILEGE/CANDOR CONFLICT IN SIMULTANEOUS PATENT REPRESENTATION

#### A. *The Federal Circuit's Role in Deciding Privilege Issues*

The inconsistent application of attorney-client privilege in patent prosecution<sup>130</sup> has been perpetuated because of the unique jurisdiction of the Federal Circuit. The Federal Circuit exercises specific, nationwide subject matter jurisdiction, unlike other federal appellate courts whose jurisdiction is predicated on geographic locale. The Federal Circuit exercises exclusive appellate jurisdiction over all matters arising under, or related to, the substantive patent laws,<sup>131</sup> and has a mandate to achieve uniformity in patent matters.<sup>132</sup>

During patent trials, federal district courts are bound by the substantive patent law of the Federal Circuit<sup>133</sup> but are free to follow the procedural rules of their regional circuit. This application of substantive

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126. Patent attorneys are often called upon to state their opinion on whether a client's patent is valid or whether a client's product infringes on another party's patent. The attorney opinion letter is the vehicle for communicating the lawyer's opinion to the client.

127. *American Standard*, 828 F.2d at 745–46.

128. *Id.* at 747 (Newman, J., dissenting); Rice, *supra* note 85, § 9:29, at 9-74 to 9-76; Daniel A. DeVito & Michael P. Dierks, *Exploring Anew the Attorney-Client Privilege and Work-Product Doctrine in Patent Litigation: The Pendulum Swings Again, This Time in Favor of Protection*, 22 AIPLA Q.J. 103, 131 (1994); LoCascio, *supra* note 88, at 1241–44.

129. *See In re Ampicillin Antitrust Litig.*, 81 F.R.D. 377, 390 (D.D.C. 1978) (“If an attorney-client communication could be discovered if it contained information known to others, then it would be the rare communication that would be protected and, in turn, it would be the rare client who would freely communicate to an attorney.”); *see also* discussion *supra* part II.A.2.

130. *See* discussion *supra* part II.B.

131. 28 U.S.C. § 1295(a)(4) (1994); *see also supra* note 1 and accompanying text.

132. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574 (Fed. Cir. 1984).

133. *Id.* at 1573.

and procedural rules from different circuits happens because, as a matter of policy, the Federal Circuit reviews procedural matters that are not unique to patent issues under the law of the circuit in which the patent litigation takes place.<sup>134</sup> This policy avoids putting the district courts in a position where they are bound by the procedural law of more than one court of appeals and avoids problems related to stare decisis and certainty of law.<sup>135</sup> The *Jack Winter-Knogo* split in the application of attorney-client privilege during patent prosecution has persisted because the Federal Circuit considers matters of privilege in the district courts to be a procedural issue not unique to patents. Unfortunately, the Federal Circuit has not articulated a standard for deciding when procedural matters are unique enough to patent issues to merit a ruling.

In *Molins PLC v. Textron, Inc.*,<sup>136</sup> patent attorney Smith simultaneously represented two clients, Molins and Lemelson. Defendant Textron accused Molins of inequitable conduct because Smith failed to disclose Lemelson's application, which was allegedly material to Molins' patent application.<sup>137</sup> Smith argued that the Lemelson information was cumulative to that already in the record, and thus was not material.<sup>138</sup> The Federal Circuit agreed with Smith and resolved the charge of inequitable conduct on this ground.<sup>139</sup>

Issues of conflict of interest and attorney-client privilege were not directly addressed by the court because these issues were not argued; a conflict of interest was not alleged against Smith, and Smith did not assert attorney-client privilege to defend his failure to disclose the Lemelson information. But in dicta, the *Molins* court split three ways about the conflicting obligations placed upon patent attorneys by the PTO's duty of candor and the rules of professional responsibility. Judge Lourie, writing for the majority, hinted that he thought Smith's behavior was improper,<sup>140</sup> but abstained from expressing a formal opinion on the privilege and conflict issues, because neither was properly before the

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134. *Id.* at 1574-75.

135. *Id.* at 1574; see also 1B James W. Moore et al., *Moore's Federal Practice* ¶ 0.402[1] (1996) (discussing application of stare decisis in regional federal courts and in specialized federal courts like U.S. Court of Appeals for Federal Circuit).

136. 48 F.3d 1172 (Fed. Cir. 1995).

137. *Id.* at 1177.

138. *Id.* at 1185.

139. *Id.*

140. *Id.* at 1185 ("[D]ual representation of two clients seeking patents in closely related technologies created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client.").

court.<sup>141</sup> Judge Nies argued that Smith faced a clear conflict of interest by representing both clients and should have withdrawn from representing Molins.<sup>142</sup> Moreover, Judge Nies hinted that she thought attorney-client privilege would not override the duty of candor. Finally, Judge Newman argued that Smith had no obligation to disclose the Lemelson application to the PTO because this information was protected by the absolute barrier of attorney-client privilege.<sup>143</sup> Judge Newman did not address the conflict of interest issue.

The two issues suggested by the *Molins* court's split dicta—conflict of interest<sup>144</sup> and application of attorney-client privilege—seem to be issues of first impression. As to attorney-client privilege, the precise issue is whether, when a patent attorney simultaneously represents two clients seeking patents in closely related technical fields, the attorney can use the attorney-client privilege to avoid disclosure of confidential information received from one client when that information is material to the other client and must be thus be disclosed pursuant to the PTO's duty of candor. This issue is a matter unique to patent law, which the Federal Circuit can and should address, under both its authority and its mandate to achieve uniformity in patent law. The issue requires an interpretation of the duty of candor, a regulation passed pursuant to the PTO's statutorily granted authority,<sup>145</sup> and thus a matter of substantive patent law subject to judicial review by the Federal Circuit. Also, it is not an issue of procedure in the federal courts, but rather a question unique to PTO procedure, making it similar to other issues the Federal Circuit regularly decides.<sup>146</sup>

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141. *Id.* at 1185 (“Whether or not there was a conflict of interest, however, is not before us, and we express no opinion thereon. Nor do we express any opinion regarding the apparent conflict between an attorney’s obligations to the PTO and the attorney’s obligation to clients.”).

142. *Id.* at 1190 (Nies, J., dissenting in part) (“Smith’s representation of clients with conflicting interests provides no justification for deceiving the PTO.”).

143. *Id.* at 1192 (Newman, J., dissenting in part) (“[Smith’s] obligation to preserve the confidentiality of his client Lemelson was absolute.”).

144. Conflict of interest issues are beyond the scope of this Comment, but potential conflict of interest situations will be pointed out as they arise.

145. *See* 35 U.S.C. § 6 (1994).

146. *See, e.g.,* Dennis M. de Guzman, Note, *In re Epstein: A Case of Patent Hearsay*, 70 Wash. L. Rev. 805 (1995) (discussing *In re Epstein*, 32 F.3d 1559 (Fed. Cir. 1994), Federal Circuit decision holding hearsay evidence admissible during patent prosecution).

### B. *Hypothetical Scenario for Discussion*

Discussion of the application of privilege when one attorney simultaneously represents two patent-seeking clients is based on the following hypothetical scenario, which is an abstraction of the relevant facts in *Molins*.

One patent attorney, *L*, simultaneously prosecutes the patents of two clients, *C1* and *C2*, both of whom have invented products in the same or closely related technical fields.<sup>147</sup> During *L*'s prosecution of both patents, *C2* communicates certain information to *L*. *L* recognizes the potential materiality of the information to both *C1* and *C2*'s patents, but does not disclose *C2*'s revelation to the PTO. Some time after *C1*'s patent issues, a third party seeks to render *C1*'s patent unenforceable on grounds of inequitable conduct. The third party accuses *L* of breaching the duty of candor by failing to disclose *C2*'s information in connection with *C1*'s patent.

### C. *Possible Defenses for Failure to Disclose*

The possible effects of *C2*'s information on *C1*'s and *C2*'s patents are illustrated in table 1:<sup>148</sup> *C2*'s communication to *L* may be material to *C2*'s patent, *C1*'s patent, both, or neither. To counter the charges of inequitable conduct, *L* can assert two defenses:<sup>149</sup> (1) that *C2*'s information was immaterial to *C1*'s patent and thus outside the duty of candor, or (2) that *L* could not reveal *C2*'s information in connection with *C1*'s patent because the information is within *C2*'s attorney-client privilege. *L*'s choice of defense would depend on where *C2*'s information falls in table 1.

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147. The rules of professional conduct prevent simultaneous representation of clients whose interests are directly adverse. *Model Rules of Professional Conduct* Rule 1.7(a) (1995). This Comment assumes that, at least initially, the interests of *C1* are not directly adverse to the interests of *C2*.

148. The definitions of "material" and "not material" in table 1 follow the definitions found in the duty of candor: "material" means that the information is at least prima facie unfavorable to the patent application and not cumulative to that already in the record, whereas "not material" means that the information is either favorable, neutral (that is, irrelevant), or cumulative to information already in the record. See discussion *supra* part I.C.1.

149. Other defenses are available, but they render the privilege issue moot and will not be discussed here. For example, *L* could argue that the failure to disclose was not intentional, or that *L* didn't recognize the materiality of *C2*'s information to *C1*'s patent. See discussion *supra* part I.C.1.

Table 1:  
Possible Effects of C2's Information on C2's and C1's Patents

		<i>Materiality of C2's Information to C2's Patent</i>	
		Material	Not Material
<i>Materiality of C2's Information to C1's Patent</i>	Material	Quadrant I	Quadrant II
	Not Material	Quadrant III	Quadrant IV

Quadrant I, where C2's information is material to both C1 and C2's patents, leaves L with no defense. Attorney-client privilege does not apply because C2's information must be disclosed to the PTO and C2 therefore had no reasonable expectation of confidentiality.<sup>150</sup> Because no privilege applies, the information also must be disclosed in connection with C1's patent. In quadrant III, C2's attorney-client privilege also does not apply, but the point is moot because the information is immaterial to C1 and need not be disclosed. Quadrant IV does not put C2's attorney-client privilege in issue<sup>151</sup> because C2's information is immaterial to both

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150. C2 did not have a subjective expectation of confidentiality at the time of disclosure. Even if C2 did have an expectation of confidentiality, it was unreasonable because C2 knew at the time of disclosure to the attorney that any material information would have to be revealed to the PTO. See discussion *supra* part II.A.2.

151. There is a potential conflict of interest here. The rules prohibit representation of one client where the attorney's options will be limited by the representation of another client. *Model Rules of Professional Conduct* Rule 1.7(b) (1995). Consider the quadrant IV case where C2's information is favorable, and thus immaterial, to C1's patent. If L could use C2's information to rebut other information unfavorable to C1, then L's options in representing C1 would be limited by the

client's patents. The information is therefore outside *L*'s duty of candor as to both *C1* and *C2*, and *L* is not required to disclose it against either client.<sup>152</sup> By deciding that the information in question was cumulative and thus immaterial, the *Molins* court placed the information in quadrant III.<sup>153</sup>

Quadrant II presents the more interesting situation. Here, *L* need not disclose the information against *C2* because it is immaterial to *C2*'s patent. But *L* knows that the information exists and is material to *C1*'s patent and should therefore disclose it. *L* thus faces a dilemma: if the information is not disclosed against *C1* the duty of candor will be breached as to *C1*, but if the information is disclosed—presuming that disclosure could be avoided through an assertion of privilege—the duty of confidentiality is violated with respect to *C2*. It is thus important to know whether privilege will attach in this situation.

The remaining discussion focuses on the ramifications of the quadrant II situation and argues that, under existing law and for policy reasons, the privilege should apply and defeat the duty of candor.

#### *D. Legal Analysis of the Privilege Issue*

Before arguing that attorney-client privilege should be recognized as a defense in the quadrant II situation, three things must be established. First, *C2*'s information must fall within the bounds of *L*'s duty of candor; if it does not, the question of privilege is moot. Second, *C2*'s information must fall within the attorney-client privilege; again, if privilege does not apply the question is moot. Finally, the information must not be within the crime/fraud/tort exception to the privilege.

##### *1. The Quadrant II Case Falls Within the Duty of Candor*

Under the circumstances of the above hypothetical situation, the information *C2* communicated to *L* is subject to disclosure against *C1* under the duty of candor. All the elements of the duty of candor are

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representation of *C2* because attorney-client privilege would prevent the use of *C2*'s information on *C1*'s behalf.

152. There is no duty to disclose information that is favorable (that is, not material) to a patent. 37 C.F.R. § 1.56(a) (1995); U.S. Patent & Trademark Office, *supra* note 48, § 2001.04.

153. In *Molins*, the attorney failed to disclose the patent application of the second client against the patent application of the first. Because the information was the patent application itself, it was presumably material to the second client's patent. But the court decided that it was immaterial to the first client's application, thus placing the information in quadrant III. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995).

present: *L*, as *CI*'s representative before the PTO, is subject to the duty; *L* knew that the information existed, and knew of its materiality to *CI*'s patent; and *L* knew of the information during the time he was prosecuting *CI*'s patent. All these elements place the information squarely within the duty of candor.

2. *The Quadrant II Case Falls Within the Privilege.*

Under the conditions of our scenario, most elements of the Wyzanski test<sup>154</sup> are easily met. There is no question that *C2* is *L*'s client, that the communication was made to *L* while acting as *C2*'s lawyer, and that the primary purpose of the communication was to secure legal services and advice in connection with *C2*'s patent. Therefore, the application of privilege turns on the third element of the Wyzanski test and involves *C2*'s reasonable expectation of confidentiality in the disclosure to *L*. Whether *C2*'s expectation of privacy was reasonable depends on two factors: the source of *C2*'s information and the interpretation of the duty of candor.

If *C2*'s information is publicly available, then *C2* could have no reasonable expectation of confidentiality in the underlying information and *L* would have to disclose. This is not to say that the attorney-client privilege does not apply to *C2*'s communication with *L*. The privilege applies, but it protects only the communication between *C2* and *L*, not the underlying information.<sup>155</sup> For example, suppose *C2* wrote a letter to *L* in which *C2* disclosed several publicly available prior art references, one of which is material to *CI*'s patent. *L* cannot disclose *C2*'s letter, because it is a communication protected by the privilege. *L* may, however, disclose the prior art reference that is material to *CI*'s patent. If, on the other hand, *C2*'s information was private information that was not publicly available, *C2* definitely would have a reasonable expectation of confidentiality in the information. *L* could not then disclose *C2*'s information, because it would be a confidential part of the communication. Because *C2*'s communication was not public knowledge, then the logic of *American Standard* would not apply, even if it were found to be correct.<sup>156</sup>

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154. The Wyzanski test sets forth the five elements that must be present before a communication will be protected by the attorney-client privilege. See discussion *supra* part II.A.2.

155. See discussion *supra* part II.A.1.

156. See *supra* note 125 and accompanying text.

In the case where *C2*'s information was not publicly known, *C2*'s reasonable expectation of privacy would depend on how broadly the duty of candor is interpreted. This depends on whether the Federal Circuit subscribes to the *Jack Winter*<sup>157</sup> line of cases or the *Knogo*<sup>158</sup> line of cases. The logic of the *Jack Winter* line of cases would hold *C2*'s communication outside the privilege; with its all-encompassing interpretation of the duty of candor,<sup>159</sup> *C2* would have had no reasonable expectation of confidentiality since all information would have to be passed on to the PTO. The *Knogo* line of cases reads the duty of candor more narrowly, and therefore recognizes that attorney-client privilege will trump candor where information is immaterial to patentability.<sup>160</sup> Under *Knogo*, *C2* would be covered by the privilege because the information is immaterial to *C2*'s patent and *C2* would therefore have a reasonable expectation of privacy.

*Jack Winter* rests on misconceptions of the patent attorney's role and the duty of candor, and ignores analogous situations in which the attorney-client privilege is recognized. It should not be followed by the Federal Circuit. The *Knogo* court recognized the shortcomings of the *Jack Winter* case:<sup>161</sup> *Jack Winter* interprets the duty of candor such that the patent attorney is reduced to the role of an information conduit between the inventor and the PTO.<sup>162</sup> But this is an inaccurate portrayal: the patent attorney's role in prosecution involves extensive analysis of facts and discretion as to which facts are material. Furthermore, the duty of candor is not absolute; it extends only to facts which are material.<sup>163</sup> Two other factors not considered in *Knogo* cast doubt on the *Jack Winter* reasoning. First, the reasons which justify the duty of candor certainly do not support an interpretation as broad as *Jack Winter*'s. The duty of candor is justified in part by characterizing the examination proceeding

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157. *Jack Winter Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D. Cal. 1970).

158. *Knogo Corp. v. United States*, 213 U.S.P.Q. (BNA) 936 (Ct. Cl. 1980).

159. *Jack Winter*'s broad interpretation of the duty of candor meant that all information from the inventor had to be passed on to the PTO, whether material or not. 50 F.R.D. at 228-29.

160. *Knogo* gave the duty of candor a narrower interpretation, holding that the duty applied only to information that was material to patentability. The *Knogo* court thus recognized that patent attorneys exercise discretion in the information disclosed to the PTO, that not all information need be revealed, and that material that need not be revealed may be covered by the attorney-client privilege. 213 U.S.P.Q. (BNA) at 940.

161. *Id.*

162. *Jack Winter*, 50 F.R.D. at 228.

163. 37 C.F.R. § 1.56(a) (1995); *Knogo*, 213 U.S.P.Q. (BNA) at 941.

as *ex parte*. But the proceeding is not truly *ex parte*;<sup>164</sup> it is more of a hybrid proceeding, combining adversarial and *ex parte* elements. For example, examiners can demand documentation from the prosecuting party that supports the claims if the examiners are not satisfied that the claims are patentable. Second, there are situations analogous to patent prosecution—with equally important interests at stake—where privilege is allowed to defeat a duty of candor. All attorneys are subject to a duty of candor before the tribunal<sup>165</sup> and a special duty in the case of *ex parte* proceedings.<sup>166</sup> There is recognition, however, that the duty of candor does not vitiate the privilege, even in *ex parte* proceedings.<sup>167</sup>

Under the more persuasive *Knogo* reasoning, and considering the extra factors explained above, *C2* had a reasonable expectation of confidentiality and thus *C2*'s information is covered by the attorney-client privilege.

### 3. *The Quadrant II Case Falls Outside the Crime/Fraud/Tort Exception to Privilege*

In the case where *C2*'s information is private, it clearly falls within the attorney-client privilege. But does it fall within the crime/fraud/tort exception? The answer must be no, because the element of intent to commit a crime, fraud, or tort is not present.<sup>168</sup> The focus of the intent inquiry is on the culpable intent of the client, but neither *C1* nor *C2* can be said to have intent; *C2* communicated the information to *L*, but it ultimately was immaterial to *C2*'s patent and *C2* thus has no duty to disclose it. Likewise, *C1* does not know of the information and has no duty to search for it, so *C1* cannot be said to have any intent to breach the

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164. *Williams Mfg. Co. v. United States Shoe Mach. Corp.*, 121 F.2d 273, 277 (6th Cir. 1941), *aff'd*, 316 U.S. 364 (1942).

It is true, of course, that in the most strict sense, the granting of a patent is not, except when an interference is declared, the result of an adversary proceeding, as in usual administrative determinations of agencies exercising quasi-judicial functions. Nevertheless, it wears, in the broader sense, an adversary aspect, since the patent office examination protects the public against un-merited monopoly, and so the public, as represented by the examiner, is always impliedly in adversary position to the application just as it is ever a third party to an infringement suit.

*Id.* at 277.

165. *Model Rules of Professional Conduct* Rule 3.3(a) (1995).

166. *Model Rules of Professional Conduct* Rule 3.3(d) cmt. 15 (1995).

167. *See, e.g.*, LoCascio, *supra* note 88, at 1215.

168. To come within the crime/fraud/tort exception to the privilege, the client must have culpable intent in seeking the attorney's services. *See Rice, supra* note 85, § 8:3.

duty of candor and commit fraud upon the PTO.<sup>169</sup> Although *L*, as *CI*'s lawyer, knows the information, *L*'s knowledge of *C2*'s information cannot be imputed to *CI*.<sup>170</sup>

From the foregoing analysis, it is clear that *C2*'s information is subject to disclosure against *CI* under the duty of candor. Where *C2*'s information is publicly known, privilege does not protect the information because *C2* does not have a reasonable expectation of confidentiality; *L* would have to disclose the information against *CI*, albeit without disclosing *C2*'s actual communication. But where *C2*'s information is private, it is protected by the attorney-client privilege because it meets all the requirements for the privilege and falls outside the exception. Thus, there is a direct conflict between the duty of candor and the attorney-client privilege. Policy considerations, discussed in the following section, dictate that attorney-client privilege override the duty of candor.

### *E. Policy Analysis of the Privilege Issue*

The quadrant II situation falls squarely within the scope of the privilege, outside the crime/fraud/tort exception, and within the duty of candor. Therefore, the decision whether to recognize privilege as a defense in this situation can be based only upon a finding that the policy objectives of the privilege supersede those of the duty of candor. Several public policy considerations support recognition of the privilege as a defense to charges of inequitable conduct for failure to disclose material information.

First, denial of the privilege in this situation ignores the inventor's interests. The PTO is charged with looking out for both the interests of the inventor and those of the public,<sup>171</sup> but the duty of candor only takes the public and the PTO into account.<sup>172</sup> The inventor's interest is in obtaining all patent rights to which the inventor is entitled, and quality legal representation is important to ensure that this occurs. To ensure quality legal representation, the inventor must have freedom of choice of counsel. The inventor's freedom of choice of counsel is an important

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169. The duty of candor does not impose an affirmative duty to search for material information, and only requires disclosure of information that is both known to exist and known to be material. 37 C.F.R. § 1.56(a); see also discussion *supra* part I.C.1.

170. *Glaxo v. Novopharm*, 52 F.3d 1043 (Fed. Cir.), cert. denied, 116 S. Ct. 516 (1995).

171. See generally 5 Chisum, *supra* note 7, § 19.03.

172. See discussion *supra* part I.C.

right<sup>173</sup> that would be seriously curtailed if the inventor was forced to choose counsel based on whether the attorney might be forced to disclose immaterial confidential information. The inventor's choice of counsel should be based on the attorney's legal competence, not fear of disclosure.

Second, denial of the privilege puts both the attorney and inventor in awkward positions: because of the possibility of disclosure to a third party, they are forced to guess information about each other that they could not possibly know, even before deciding whether representation is appropriate. The client must know in advance everything that must be disclosed to the attorney, and also must guess who the attorney's other clients are and what their inventions are. The inventor probably does not know this information, and the attorney certainly cannot reveal information about other clients because of the duty of confidentiality. Likewise, the attorney is forced to guess what the inventor might say that will be material to other clients' patents. The inventor and attorney can only know this type of information after disclosure, but at that point it is too late: the inventor will have revealed confidential information and the attorney must disclose it against other clients, even if the attorney declines representation of this inventor. If the privilege attached, the attorney simply could decline representation without prejudicing the inventor's confidentiality.

Third, the very virtue attorney-client privilege seeks to promote—open communication between attorney and client—is especially important in patent law because of the difficult and arcane technical subject matter of patents. The patent attorney must thoroughly understand the invention and all its technical nuances to be able to distinguish the invention from the prior art; sometimes the invention will differ from the prior art in very subtle, yet meaningful, ways. Although all patent attorneys are scientists or engineers, they usually are not experts in any given technology. The clients are the experts, and they must “teach” their inventions to the attorneys. This may require consideration of large amounts of technical background information, not all of which will be material to the resulting patent. If inventors feel constrained in what they can tell their attorney for fear of disclosure, they may not adequately teach the invention to the attorney and may forfeit patent rights to which they are entitled.

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173. See *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1576 (Fed. Cir. 1984); *Whiting Corp. v. White Mach. Corp.*, 567 F.2d 713, 715 (7th Cir. 1977).

Fourth, denial of the privilege contravenes the constitutional mandate of the patent system because it discourages inventors from pursuing patents on inventions that may be the subject of other types of protection, such as trade secret law.<sup>174</sup> Denial of the privilege in this situation places inventors in a position where they must guess about the patentability of their own inventions. Unless they are familiar with patent law, they are unlikely to guess correctly, and if they guess wrong they may lose all protection. An example will illustrate the concept. Suppose a first client has a trade secret invention and wants to patent it. As the name implies, trade secret law requires that the invention be kept secret. The first client takes the invention to the lawyer; the invention is not patentable, but it is material to the patent application of the lawyer's second client. If privilege does not apply, the lawyer must disclose the invention to the PTO because it is material to the second client's patent, but the first client will lose all protection for its invention because it is not patentable and it is no longer secret.

Fifth, denial of the privilege creates a conflict of interest where one might not otherwise exist. If *C2*'s information is material to *C1*'s patent, the attorney may purposely draft *C1*'s patent in such a way that *C2*'s information will not have to be disclosed. This situation places the attorney in a conflict of interest that would not exist if the privilege applied.<sup>175</sup> It could also result in *C1* getting less patent rights than *C1* deserves.

Finally, denial of the privilege actually may contravene some of the objectives that the duty of candor is supposed to promote. Denial of privilege discourages full and complete communication between the inventor and attorney. Complete communication could result in more accurately drafted patent applications that save PTO resources, as less effort may be required for any given application.

Therefore, in simultaneous representation cases where material information also falls within the attorney-client privilege, the privilege should be recognized and allowed to override the duty of candor. Application of the privilege does not necessarily contravene the policies

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174. The constitutional mandate is "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art I, § 8, cl. 8. At least one court has recognized the problem of protecting trade secrets that turn out to be unpatentable. *See In re Sarkar*, 575 F.2d 870 (C.C.P.A. 1978) (granting motion to seal record and hear oral argument in camera to protect trade secret if it should be unpatentable).

175. The attorney faces a conflict of interest because representation of *C2* limits the representation of *C1*. *Model Rules of Professional Conduct* Rule 1.7(b) (1995); *see also supra* note 151.

of patenting,<sup>176</sup> and numerous policy reasons support recognizing the privilege in such simultaneous representations.

#### IV. CONCLUSION

The Federal Circuit's recent *Molins* decision suggested, but did not resolve, an important issue of PTO procedure that could affect the substantive rights of inventors seeking patents. The issue is whether, when a patent attorney simultaneously represents two clients seeking patents in closely related technical fields, the attorney can use the attorney-client privilege to avoid disclosure of confidential information received from one client when that information is material to the other client and thus must be disclosed under the provisions of the PTO's duty of candor.

The application of attorney-client privilege to patent prosecution has been inconsistent. The more persuasive and better reasoned approach places the information disclosed to the attorney by the first client squarely within the privilege, at least if the information is not publicly known and is not material to the first client's patent. But if that same information is material to the patent of the lawyer's second client, the PTO's duty of candor requires that the lawyer disclose it. Because the information falls within the ambit of both privilege and candor, the decision as to which one prevails must be based upon policy considerations. Numerous policy considerations support the position that privilege should override candor when there is a conflict between the two.

The issue suggested by *Molins* creates destructive uncertainty for both attorneys and their clients. It puts both in a position where they must guess whether or not confidential communications will be protected by privilege, and both stand to lose if they guess incorrectly. The Federal Circuit has the power to resolve this issue, and should do so at the first possible opportunity.

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176. See *Hogan v. Natta*, 410 F.2d 187, 190-91 (3d Cir. 1969).

