



Alerts

Federal Circuit Lays Out Test for When Lawyer's Access to Opposing Party's Confidential Information May Be Used to Limit the Scope of Attorney's Representation

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Lawyers for the Profession® Alert

In re Deutsche Bank Trust Co. Americas, ___ F.3d ___, 2010 WL 2106957 (Fed. Cir. 2010)

Brief Summary

Addressing a matter of first impression, the United States Court of Appeals for the Federal Circuit held that counsel may be barred from prosecuting certain patent applications for a client if that counsel, through patent infringement litigation on other related patents, has access to another party's confidential information that is relevant to the patent prosecutions.

Complete Summary

Island Intellectual Property LLC (Island) sued petitioners (collectively "Deutsche Bank") for patent infringement in the Southern District of New York. The litigation centered on three patents and Island concurrently had 19 pending patent applications closely related to them. Deutsche Bank was consequently concerned that Island's counsel might use confidential information discovered in the infringement litigation for purposes of prosecuting Island's other applications. Deutsche Bank sought a protective order barring Island's counsel from prosecuting such applications.

The district court, reviewing a magistrate judge's order, granted Deutsche Bank this protection as to most of Island's trial counsel, but imposed a less restrictive protective order on Island's lead trial counsel. Deutsche Bank petitioned the Federal Circuit for a writ of mandamus with respect to the terms of the protective order related to Island's lead trial counsel.

Reviewing under an abuse of discretion standard, the Federal Circuit vacated in part and remanded. The court noted that although it normally would not grant mandamus review of a discovery order, it did so in this case because the matter involved an important issue of first impression on which courts have disagreed. The court also held that Federal Circuit law applied, noting the need for uniformity among the federal circuits in patent law.

The court held that the moving party must show that the scope of the protective

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order sought (e.g., duration, confidential information covered, activities prohibited) reasonably reflects the risk posed by disclosure of the confidential information.

Further, a party seeking an exemption from such an order has two burdens, both of which apply on an individual lawyer-by-lawyer basis. First, the party must show that the attorney does not provide competitive decision-making advice for the client through which counsel could inadvertently disclose the opposing party's confidential information. The court held that this burden can be met if counsel is only involved in the client's patent prosecution matters at an "ancillary" or "high-altitude" level, so long as there is a reasonable expectation that the lawyer's authority or involvement will not change in a relevant way during the tenure of the protective order. The court declined to hold that in-house attorneys, or lawyers involved in patent prosecution are *per se* involved in competitive decision-making for the client.

Second, a party seeking an exemption from such a protective order must show that the harm it would suffer by being denied its choice of counsel outweighs the potential harm to the opposing party from inadvertent disclosure of its confidential information. The court held that this determination turns on the extent and type of counsel's representation, the client's reliance and dependence on that representation, and the potential hardship of retaining new counsel.

The court acknowledged that in some circumstances the factors that make counsel valuable to a client are the same factors that subject counsel to the risk of inadvertently disclosing the opposing party's confidential information for the client's benefit.

Significance of Opinion

In reaching its main holding, the court recognized that in some circumstances there is a high risk that counsel may inadvertently use confidential information discovered in litigation to aid a client in other endeavors. Although the "other endeavor" here involved patent application prosecution, the court's basic reasoning could apply to any of a client's litigation, non-litigation or business endeavors. The fact-specific nature of the court's holding indicates more generally that parties seeking to protect confidential information by limiting the scope of opposing counsel's representation would be well-advised to seek focused, reasonably limited protective orders.

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