Evidence--Discovery--Corporate Patent Attorney-Client Privilege

Armand P. Boisselle

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Recent Decisions

EVIDENCE — DISCOVERY — CORPORATE PATENT
ATTORNEY-CLIENT PRIVILEGE

American Cyanamid Co. v. Hercules Powder Co.,
211 F. Supp. 85 (D. Del. 1962)

In American Cyanamid Co. v. Hercules Powder Co.,¹ a suit for patent infringement, both parties moved for the production of certain documents in accordance with Rule 34 of the Federal Rules of Civil Procedure. The plaintiff sought to obtain documents written by an attorney employed in the defendant's patent department, while Hercules moved to obtain certain letters written by outside counsel to Cyanamid and documents written by members of the plaintiff's patent department. Both parties objected to discovery, claiming that the documents were protected by the attorney-client privilege.

The court held that the defendant's employee was not acting as an attorney when he executed the papers; the correspondence between outside counsel and Cyanamid did not in any way rest on confidential information;² and since good cause was shown, the court granted both motions.

The most significant question raised in the case is whether members of a corporate patent department are lawyers for the purposes of the attorney-client privilege, or mere businessmen not entitled to that privilege.

Before answering this question, the court had to determine if a corporation can take advantage of the attorney-client privilege. Whether to apply the privilege when the client is a corporation has long been a problem.³ In Radiant Burners, Inc. v. American Gas Ass'n⁴ the Federal District Court for the Northern District of Illinois recently ruled that the attorney-client privilege does not protect information in the files of a corporation's attorneys. But the Cyanamid court, while concurring that the application of the privilege to corporations is difficult and problematical, reasoned that full disclosures to attorneys should be encouraged whether the client is a corporation or an individual⁵ and held, therefore,

2. Plaintiff "apparently conceded" that the opinions rendered by members of its patent department were outside the protection of the attorney-client privilege. Id. at 90.
5. "In reality the rule (that the attorney-client privilege does not extend to corporations) ... penalizes the strong and favors the weak, but strength is quite irrelevant to the policy of the privilege." American Cyanamid Co. v. Hercules Powder Co., 211 F. Supp. 85, 88 n. 12 (D. Del. 1962).
that the attorney-client privilege can be applied even when the client is a corporation.  

The problem of applying the attorney-client privilege when the attorneys are members of the legal or patent departments of the corporation claiming the privilege has been widely discussed in recent years. One of the most extensively quoted cases in this area is *United States v. United Shoe Mach. Corp.* After listing the general conditions which must be present if the privilege is to apply, the court held that communications and memoranda (which satisfy the given requirements) between a corporation and members of its legal department and between a corporation and outside counsel are protected, while the same disclosures to members of the corporate patent department are unprotected. The complete denial of the privilege to members of the patent department was based on the facts that (1) the majority of the members of the department were not members of the local bar and (2) members of patent departments spend their time primarily on business matters.

In *Zenith Radio Corp. v. Radio Corp. of America* the court maintained that the privilege should not be totally denied to members of corporate patent departments, but that the individual documents should be examined to determine whether they contain statements made to the patent department member acting as a lawyer or as a businessman.
In the former instance, the document is privileged, but in the latter, it is not.\footnote{14} In the \textit{Cyanamid} case the court followed the decision of the \textit{Zenith} case since it could not justify extending the privilege to members of corporate legal departments while totally denying it to members of corporate patent departments. However, this court did not go so far as the court in the \textit{Zenith} case in specifying when a member of the patent department acts as a lawyer.\footnote{15} The court felt that "each case should turn on its own facts."\footnote{16}

Decisions which hold that communications between a corporate client and its patent department attorneys are automatically excluded from the privilege are not in keeping with the theory of the privilege.\footnote{17} If the attorney-client privilege is a reasonable one and is necessary "in the interest and administration of justice,"\footnote{18} one has difficulty visualizing how the privilege can be totally denied to the corporate clients of attorneys who happen to be members of the corporate patent department.

The decision in the \textit{Cyanamid} case is significant because the court refused to deny the privilege to corporations as recently suggested by a sister court.\footnote{19} It is also significant that the court did not rely on any set rules to determine when a member of the patent department acted as a lawyer, but decided that each document should be read carefully to determine if it is to be protected by the attorney-client privilege.

\textbf{Armand P. Boisselle}

court recognized that correspondence regarding the prosecution of patent applications may in fact be legal in nature.

\footnote{14}{The court disposed of the bar membership requirement by concluding that "bar membership should properly be of the court for the area wherein the services are rendered, but this is not a sine qua non, e.g., visiting counsel . . . 'house counsel' who practice law only for the corporate client and its affiliates . . . for which local authorities do not insist on admission to the local bar:" \textit{Zenith Radio Corp. v. Radio Corp. of America}, 121 F. Supp. 792, 794 (D. Del. 1954). \textit{Ascend}, International Minerals & Chem. Corp. v. Gilding-Keene Co., 162 F. Supp. 137 (W.D.N.Y. 1958) (privilege of non-disclosure extended to communications between client and a patent agent who is under the immediate supervision of an attorney of a bar of any jurisdiction); \textit{Georgia-Pacific Plywood Co. v. United States Plywood Corp.}, 18 F.R.D. 463 (S.D.N.Y. 1956).

\footnote{15}{See note 13 \textit{supra}.}

\footnote{16}{American Cyanamid Co. v. Hercules Powder Co., 211 F. Supp. 85, 89 (D. Del. 1962).}

\footnote{17}{8 \textit{Wigmore, Evidence} § 2292 (3d ed. 1940).}

\footnote{18}{Hunt v. Blackburn, 128 U.S. 464, 470 (1888).}

\footnote{19}{See \textit{Radiant Burners, Inc. v. American Gas Ass'n}, 207 F. Supp. 771 (N.D. Ill. 1962).}