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Community-of-interest privilege bars discovery of email exchange

The "community-of-interest privilege" protected a defendant company from having to produce — in the context of a patent dispute with a competitor — a chain of emails discussing legal implications of a non-finalized licensing agreement between it and a third-party distributor, a U.S. District Court judge has ruled.

The agreement was to have made the distributor the exclusive licensee of the product that was the subject of the underlying patent lawsuit.

The plaintiff competitor, who had sought a declaratory judgment that its own product did not infringe on the defendant company's patent, argued that involving parties other than the defendant and its attorney in the email discussion waived the attorney-client privilege with respect to the emails.

The community-of-interest privilege permits separate parties and their counsel to discuss matters in confidence and coordinate legal strategy. But the plaintiff claimed that the doctrine didn't apply, arguing that — because the licensing agreement being discussed had not been finalized when the emails were sent — the defendant and its distributor shared only a commercial, not legal, interest at that time.

But U.S. District Court Judge Indira Talwani, who conducted an in camera review of the materials, disagreed.

"Although the parties had not finalized their licensing agreement, they were in the midst of negotiating that agreement and, as evidenced by the content of their emails, were pursuing a common legal strategy concerning the enforceability of the patents-in-suit," wrote Talwani, denying the plaintiff's motion to compel production of the material in question.

The five-page decision is *The Hilsinger Company v. Eyeego, LLC*, Lawyers Weekly No. 02-364-15. The full text of the ruling can be found at masslawyersweekly.com.

Common goals

Thomas P. McNulty, of Lando & Anastasi in Cambridge, represented the defendant. He said a contrary decision would have posed considerable difficulties for parties seeking to finalize important agreements.

"It would be virtually impossible for companies working toward some type of collaboration to address what might happen once this collaboration is achieved without potentially exposing all the communications surrounding it," McNulty said. "This decision gives parties working toward an agreement the ability to discuss legal matters that they're expecting to arise subsequent to reaching the agreement without risking the waiver of attorney-client privilege."

McNulty cautioned, however, that the ruling does not enable parties to simply "stick lawyers in a room" in order to render their conversations privileged.

"The material you're seeking to protect still has to deal with common legal issues and the seeking of legal advice," he said.

Lori J. Sandman of Daytona Beach, Florida, also was counsel to the defendant. She said the court's application of the community-of-interest privilege in this case simply makes sense.

"[Application of the privilege] provides a means for parties with aligned litigation interests to share information," she said. "Here, the court strikes a balance between the potentially negative consequences of suppression of relevant evidence and the need for exchange of information necessary for effective legal counsel."

Boston lawyer George A. Berman, who represents lawyers in professional liability cases, said this case illustrates the fact that the attorney-client privilege is intended for the benefit of clients and should be analyzed and applied through that lens.

"The clients in this situation were seeking legal advice in an appropriate situation in circumstances under which they had a reasonable expectation of some degree of confidentiality," said the Peabody & Arnold attorney. "And the law, which was properly applied by the judge in this case, respects that interest and encourages rather than discourages clients who need legal advice from getting it."

From a litigation perspective, Berman said the case demonstrates the vast amount of time and energy many lawyers spend pursuing the production of documents that are unlikely to have any practical utility.

"This was a patent infringement case which turned on technical issues having to do with the physical attributes of the product," Berman said. "What these business executives had to say to their attorneys [in the process of negotiating a licensing agreement] was unlikely to have any relevance to that inquiry. The parties must have spent hours of time briefing and arguing this issue and the judge almost certainly did them a favor by keeping them from spending hours deposing witnesses over an email exchange which, while it might have been embarrassing, was not going to be particularly probative."

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— Thomas P. McNulty, Cambridge

Business litigator David B. Mack, of O'Connor, Carnathan & Mack in Burlington, said it is common for a party to litigation to seek production of communications between an adversary and another party represented by separate counsel.

Accordingly, Mack said, it's good practice for separate businesses represented by

separate counsel to create a "common interest agreement" to insure that legally related communications between them will remain confidential and not subjected to the third-party waiver rule should a potential adversary seek to discover them.

"The rules don't require such an agreement, but it's helpful because it memorializes the parties' intent, and — in the event of a discovery dispute later on where these communications are sought — you can hold this agreement up as evidence that the parties intended communications between their respective counsel to be privileged," he said. "It also helps make sure the people you're communicating with are treating these communications as privileged the same as you."

Plaintiff's counsel Craig M. Scott, of Hinckley Allen & Snyder in Providence, Rhode Island, would not comment except to note that Talwani did grant his client's motion to compel regarding a number of other communications between the defendant and its distributor while also granting his client appropriate fees and costs.

Bellerman, et al. v. Fitchburg Gas and Electric Light Company

THE ISSUE Did the "community-of-interest privilege" protect a company from having to produce — in the context of a patent dispute with a competitor — a chain of emails between its president, its counsel, its distributor and its distributor's counsel discussing legal implications of a non-finalized licensing agreement between them?

DECISION Yes (U.S. District Court)

LAWYERS Craig M. Scott of Hinckley Allen & Snyder in Providence, Rhode Island (plaintiff)
Thomas P. McNulty of Lando & Anastasi in Cambridge and Lori J. Sandman of Daytona Beach, Florida (defendant)
Ann W. Chisholm and Eric R. Passeggio, of Brickley, Sears & Sorett, Boston (defense)

Discovery dispute

In August 2008, inventor Nancy Tedeschi applied for a patent on "SnapIt Screws," a form of temporarily elongated eyeglass screws consisting of a traditional threaded head and a breakaway, non-threaded stem. The screw purportedly makes it easier for an eyeglass wearer to reattach temples to frames without fumbling with tiny traditional eyeglass screws.

Apparently, similar screws had been marketed in the U.S. as early as 1999. But, despite existing prior art, Tedeschi was able to obtain a patent in 2011. She subsequently assigned the patent to her Washington-based company, defendant Eyeego. Eyeego ultimately marketed and sold the product nationally, including at Wal-Mart and Office Depot locations in Massachusetts.

On Dec. 27, 2011, weeks after receiving the patent, Eyeego accused plaintiff The Hilsinger Co., or "Hilco," of infringing on its patent by selling its own "Thread-Seeker XLT" screw, which utilized a similar design.

Hilco maintained that it was simply using prior art screws that were on the market before Eyeego received its patent. Over the next year the parties were unable to resolve the dispute, and, in March 2013, Eyeego allegedly told one of Hilco's major clients that a new Hilco product infringed on Eyeego's patent.

Hilco subsequently filed an action in U.S. District Court seeking a declaratory judgment of non-infringement.

During discovery, Hilco moved to compel production of "Document 22," a chain of four emails sent on Dec. 11, 2012, between Tedeschi; Eyeego's attorney; counsel for Eyeego's U.S. distributor, OptiSource; OptiSource's president; counsel for OptiSource's parent company, Essilor; and Essilor's attorney.

At the time of the conversation, Eyeego and OptiSource were negotiating an agreement under which OptiSource would become the exclusive licensee of "SnapIt Screws." The agreement was several weeks from being finalized and the conversation purportedly involved legal issues surrounding the enforceability of Eyeego's patent.

Eyeego challenged the motion, citing attorney-client privilege.

Hilco, in turn, asserted that Eyeego had waived the privilege by involving third parties OptiSource and Essilor in the conversation. Eyeego responded that because the parties were each represented by separate counsel while pursuing ongoing, coordinated legal interests, the "community-of-interest" exception applied, preserving the confidentiality of the emails under the attorney-client privilege.

Privileged material

Talwani rejected Hilco's argument that Eyeego had waived attorney-client privilege regarding the email communications by sharing them with OptiSource, Essilor and their attorneys.

Specifically, she was unpersuaded by the plaintiff's contention that, because the licensing agreement hadn't been finalized, the two companies merely had a common commercial interest and not a common legal interest as required under the privilege.

"[T[he absence of an exclusive licensing agreement at the time the e-mails were sent does not necessitate a finding that the parties to the communication shared no common legal interest," the judge wrote. "Rather, a review of the e-mails show that the parties were communicating about legal rather than commercial interests. Indeed, statements in the e-mails illustrate the existence of a coordinated legal strategy as well [as] positive steps taken to further that strategy."

In making her analysis, Talwani looked to *In re Regents of Univ. of Cal.*, a 1996 decision from the Federal U.S. Circuit Court of Appeals that found a common legal interest between an inventor and a potential licensee who were engaging in similar communications before their licensing agreement was finalized.

The Federal Circuit found that both parties had a common interest in obtaining strong, enforceable patents.

"The reasoning *of In re Regents of Univ. of Cal.* applies with equal force here," Talwani wrote. "Accordingly the court finds that the community-of-interest privilege applies to Document 22."

— Eric T. Berkman