

# Access Denied—Under What Circumstances Should In-House Counsel Fight to See the Other Party's Confidential Materials in Patent Litigation?

By Dean A. Pelletier

Parties in high-stakes patent infringement litigation often dispute whether a key member of the litigation team—in-house counsel—should have access to the confidential information and documents (confidential materials) that the other party produces during discovery. One of the parties typically asserts that such access should be allowed because it necessarily will result in improved, if not optimal, representation of each party and its respective interests. The other party typically asserts that such access will be detrimental to its commercial activities, both during the litigation and after it is terminated, and for that reason, such access should be denied. As explained in this article, so long as a sufficient factual basis for, as opposed to an absolute entitlement to, in-house counsel's access to the other party's confidential materials can be established, such access should be allowed. Moreover, such access will adhere to and preserve fundamental principles of American jurisprudence and permit the US judicial system to function more efficiently.

## Two Choices: Accept Less Than Optimal Representation or Fight

When parties dispute whether in-house counsel should have access to the other party's confidential materials, in-house counsel for whom access is desired has two choices: accept less than optimal representation or fight. Put differently, in-house counsel must choose between (1) effective, but less than optimal, representation of the client (*vis-à-vis* in-house counsel's limited access to the other party's confidential materials, which can be crucial to the disposition of the action) and (2) moving the court for a protective order that grants in-house counsel access to the other party's confidential materials. Because optimal representation of the client is the

goal of any attorney, the second option is invariably a wiser initial choice than the first option. However, because option two is more costly and time consuming than option one and because there is no guarantee that a court will grant access for in-house counsel, it is prudent to critically assess the possibility of obtaining that access before actively pursuing option two.

Critically assessing the possibility of obtaining the above-described access essentially entails two steps: (1) appreciating the applicable legal standard and (2) determining whether that legal standard can be satisfied through a declaration or affidavit from in-house counsel for whom the access is desired. Assuming that the legal standard can be satisfied, there are fundamental principles of US jurisprudence that further support such access and that courts should consider when deciding whether to grant such access. Of course, the access being sought should be reciprocal and otherwise reasonable in all respects.

## The Rule

In-house counsel's access to the other party's confidential materials boils down to whether in-house counsel is involved in any competitive decision making and whether other circumstances demonstrate the absence of an unacceptable opportunity for inadvertent disclosure of those materials.

The Federal Circuit's decision in *U.S. Steel Corp. v. United States* is generally considered "the leading authority on protective orders distinguishing between outside and in-house counsel."<sup>1</sup> In *U.S. Steel*, the Federal Circuit explained that in-house counsel are, in all relevant respects, the same as outside trial counsel, and determining whether in-house counsel should be granted access to the other party's confidential materials is a relatively straightforward inquiry:

Like retained counsel, however, in-house counsel are officers of the court, are bound by the *same* Code of Professional Responsibility, and are subject to the *same* sanctions. In-house counsel provide the *same* services and are subject to the *same*

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types of pressures as retained counsel. The problem and importance of avoiding inadvertent disclosure is the *same* for both. Inadvertence, like the thief-in-the-night, is no respecter of its victims. Inadvertent or accidental disclosure may or may not be predictable. To the extent that it may be predicted, and cannot be adequately forestalled in the design of a protective order, it may be a factor in the access decision. *Whether an unacceptable opportunity for inadvertent disclosure exists*, however, must be determined, as above indicated, by the facts on a counsel-by-counsel basis, and cannot be determined solely by giving controlling weight to the classification of counsel as in-house rather than retained.<sup>2</sup>

An "unacceptable opportunity for inadvertent disclosure" may well exist "where in-house counsel are involved in competitive decision making."<sup>3</sup> However, the term "competitive decision making" has a specific and limited definition and, in fact, is "shorthand for a counsel's activities, association, and relationship with a client that are such as to involve counsel's *advice and participation* in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor."<sup>4</sup>

Significantly, "the standard is not 'regular contact' with other corporate officials who make 'policy,' or even competitive decisions, but 'advice and participation' in 'competitive decisionmaking.'"<sup>5</sup> Indeed, if regular contact with other corporate officials who make policy or competitive decisions were the standard, outside trial counsel, who regularly represent the same client in actions involving industry competitors, would be on a slippery slope toward disqualification with each passing engagement.

Not surprisingly, various courts, including district courts before which motions for protective orders have been brought, have confronted the issue of whether in-house counsel should be treated the same as outside trial counsel for purposes of access to the other party's confidential materials. In resolving that issue, many of those courts have acknowledged and applied the Federal Circuit's definition of competitive decision making, and some of those courts have enunciated additional circumstances that also might be appropriate to consider. Opinions from some of those courts and recent experience before a district court are taken into account below because, depending on the jurisdiction in which a party finds itself, the jurisprudence of a certain district court may take on greater importance in resolving the issue.<sup>6</sup>

### The Required Proof

A party seeking to establish that its in-house counsel should have access to the other party's confidential materials should submit (in connection with its motion) an unequivocal declaration from in-house counsel that, where possible, states:

1. That in-house counsel is not a competitive decision maker. That is, he or she does not render advice on or participate in any of the company's decisions regarding product pricing, sales, marketing, design, production, research, or development made in light of similar or corresponding information about any competitor. Alternatively, if possible, in-house counsel should more broadly state that he or she is not in any way involved in any of the company's decisions regarding product pricing, sales, marketing, design, production, research, or development.
2. In-house counsel's years of service with and full title(s) and position(s) at the company (*e.g.*, secretary and general counsel).
3. In-house counsel's unique or specialized knowledge or expertise in or relating to the particular type of litigation (*e.g.*, experience, training, education, or skills in or relating to patent law, including relevant experience as outside trial counsel).
4. In-house counsel's general duties and responsibilities, including providing the company with legal advice, as opposed to advice on the matters described in statement number one.
5. In-house counsel's more specific duties and responsibilities, including managing outside trial counsel and pending actions to which the company is a party.
6. In-house counsel's familiarity with and understanding of how a protective order works, and that he or she has been subject to and has fully adhered to protective orders in other actions.
7. In-house counsel's contact or interaction with the company's competitive decision makers (*e.g.*, with directors or officers at board or committee meetings), the agenda for or matters discussed during any such meetings, and duties and responsibilities fulfilled by in-house counsel during, as a result of, or in connection with any such meetings.
8. That in-house counsel has never been empowered with general authority to act on behalf of the company.

9. That the company's in-house legal department maintains its own files, which are separate from the files of any other division or department of the company.
10. That in-house counsel's office is located in a building or facility separate from the building or facility in which the division or department specifically involved in the litigation is located.
11. That in-house counsel has no familial ties to any of the officers, directors, or other competitive decision makers of the company.
12. The size of the company (e.g., the company comprises thousands (or hundreds) of employees).

If in-house counsel cannot make statement number one, then a party should not move a court for in-house counsel's access to the other party's confidential materials. Indeed, if statement number one is not part of in-house counsel's declaration, or is equivocal or qualified in any way (e.g., no "direct" advice, participation, or involvement in competitive decision making), then the court will almost certainly deny the motion for in-house counsel's access.<sup>7</sup>

If in-house counsel can make statement number one but cannot make all of statement numbers two through eight, then a party should expend the time and money to move the court for its in-house counsel's access to the other party's confidential materials only if, as is often the case, in-house counsel's unique or specialized set of experience, training, education, and skills cannot reasonably be substituted by the experience, training, education, and skills of the outside trial counsel on the litigation team.

Statement numbers three, four, five, and seven may be particularly important to a court's decision to grant or deny in-house counsel access to the other party's confidential materials. With respect to statement number three, a court may base its decision, in whole or in part, on whether in-house counsel contributes to the representation of the client and its interests that competent outside trial counsel does not or cannot also provide. With respect to statement numbers four and five, a court may be particularly interested in in-house counsel's duties and responsibilities in light of statement number one. Indeed, articulating a line of demarcation between legal advice and advice on the matters described in statement number one may well be the difference between obtaining the access for in-house counsel or not. With respect to statement number seven, a court may be particularly concerned about in-house counsel's contact or interaction with competitive

decision makers at, for example, board or committee meetings, notwithstanding the Federal Circuit's admonition that "the standard is not 'regular contact' with other corporate officials who make 'policy,' or even competitive decisions, but 'advice and participation' in 'competitive decisionmaking.'"<sup>8</sup> Statement number seven should eliminate any speculation about in-house counsel's roles and responsibilities during, as a result of, and in connection with board or committee meetings, and, in some instances, clarification on those points may be almost as important to the success of the motion as statement number one is.

Statement numbers nine through 12 describe objective circumstances that further separate in-house counsel from any competitive decision makers and, depending on the circumstances or the jurisdiction, may be more or less significant to the situation at hand.<sup>9</sup>

### Other Fundamental Principles

Assuming that a party can establish a sufficient factual basis for, as opposed to an absolute entitlement to, in-house counsel's access to the other party's confidential materials, such access should be allowed also because it will adhere to and preserve at least three fundamental principles of US jurisprudence and permit the US judicial system to function more efficiently. Those three principles include a client's right to its choice of counsel,<sup>10</sup> the "just, speedy and inexpensive determination" of litigation,<sup>11</sup> and frank and meaningful attorney-client communication.

Each company with in-house counsel has specifically chosen its in-house counsel to serve as its representative on all legal matters, and a court should not "substitute its judgment for that of the litigant in the choice or number of counsel that the litigant may feel is required to properly represent [its] interests."<sup>12</sup> Indeed, the significance of a company's selection of specific in-house counsel to serve as its full-time representative is cogently illustrated by the daily or nearly daily advice that in-house counsel typically provides to his or her client. Moreover, in-house counsel, who is ultimately responsible for representing his or her client and its interests, will advise his or her client on all matters in which the client is involved, and that is true even of litigation where outside trial counsel is actually representing the client's interests in court.

In litigation when the potential recovery or liability is relatively high (and outside trial counsel's fees are commensurate thereto), only a fully informed in-house counsel is realistically capable of fully (*i.e.*, most effectively) representing his or her client in the litigation and fully advising his or her client on the litigation and all the issues that arise during that litigation. Of course, a

fully informed in-house counsel is in-house counsel that has access to all pertinent information and documents, including the other party's confidential materials, which are often addressed in or otherwise a part of each party's motions and supporting papers and expert reports. Indeed, it is illogical, or a symptom of inexperience, to believe that in-house counsel, who cannot fully review his or her own client's motions and expert reports, let alone the other party's motions and expert reports, would be able to somehow fully discharge his or her obligations to the client.

In sum, there will be an inherent communication gap of varying size between outside trial counsel and in-house counsel and between in-house counsel and his or her client if in-house counsel's access to the other party's confidential materials is denied. While that communication gap is, oddly enough, acceptable to a party who is seeking to deny such access, that gap will unjustifiably impair the other party's in-house counsel's representation of his or her client and thus unjustifiably impair the other party's right to its choice of counsel.

Another fundamental principle to bear in mind is the goal of "just, speedy, and inexpensive" determination of litigation.<sup>13</sup> As explained below, in-house counsel's access to the other party's confidential materials will help to attain that goal.

Reduced to its fundamentals, commercial litigation consists of three steps: (1) acquiring pertinent information and documents through discovery, (2) reviewing and analyzing that information and those documents, and (3) applying a subset of that information and those documents to support a position and/or undermine an opposing party's position. In patent infringement litigation, the second step is often the most intellectually challenging and time-consuming, and the need for and use of consultants and expert witnesses demonstrates as much.

Faced with these intellectual and temporal demands and bearing in mind the goal of "just, speedy, and inexpensive" determination of litigation, a party should be permitted to assemble the most capable, talented, and fully informed litigation team, including outside trial counsel, in-house counsel, consultants, and experts, that it can. As to in-house counsel, it is important to note that he or she typically knows the client and at least certain aspects of the industry in which the client operates better than anyone else on the litigation team. For example, in-house counsel's unique familiarity with the client's corporate philosophies and industry norms and his or her contemporary and hands-on involvement with the legal issues affecting the client or the industry often make him or her uniquely qualified to evaluate litigation strategies and assess the reasonableness of the positions each party advances. In other words, each in-house counsel inherently

possesses, to some degree, a unique or specialized combination of experience, training, education, and skills that will allow for and result in a unique perspective and unique analytical contributions that no other member of the litigation team can typically provide. In-house counsel should be allowed to provide that perspective and those contributions because that perspective and those contributions will meaningfully contribute to the "just, speedy, and inexpensive determination" of the litigation. Further, by virtue of hiring this particular in-house counsel, the client has specifically requested that such perspective and contributions be provided.

Considered from another angle, it is reasonably clear that in-house counsel's access to the other party's confidential materials will facilitate and lead to franker and more meaningful attorney-client communications. In turn, such communications will lead to more effective, if not optimal, representation of the client and its interests.

Significantly, in-house counsel serves the dual role of attorney and client. Thus, if the client and its interests are to be more effectively, if not optimally, represented, outside trial counsel must be able to effectively communicate with the client (*i.e.*, the client's representative, in-house counsel), and in-house counsel must be able to effectively communicate with the client (*i.e.*, officers, directors, or some combination thereof).

Meaningful communication necessarily requires that the communicating persons be fully informed (*i.e.*, as discussed herein, in-house counsel should have access to the other party's confidential materials). Although one might argue that outside trial counsel (who has access to the other party's confidential materials) could readily have frank and meaningful discussions with in-house counsel and/or the client without in-house counsel or the client having access to the other party's confidential materials, such an argument summarily and unjustifiably dismisses the Federal Circuit's proper recognition that in-house counsel and outside trial counsel are both bound by the same oaths and professional obligations.<sup>14</sup> In other words, such an argument inconsistently and, as such, improperly assumes that in-house counsel cannot distinguish between what can and cannot be disclosed to the client as effectively as outside trial counsel can. That assumption is particularly improper when in-house counsel has previous experience as outside trial counsel. Moreover, such an argument summarily and unjustifiably assumes away, or at least significantly undermines, the client's right to its choice of counsel.

### **Reciprocal and Limited Access**

In addition to mustering the necessary legal and factual support for a motion for in-house counsel's access

to the other party's confidential materials, a party must typically provide the court with a proposed protective order that defines the parameters of the requested access. Any such provision should permit reciprocal access for each party's in-house counsel and should provide only limited access. A suitable provision might read:

No copies of documents, things or information designated as "Confidential" shall be received, kept, or maintained by persons other than Outside Trial Counsel and court reporters receiving or transcribing the documents, things or information in connection with official reporting (for example, at a deposition or a hearing), except that Retained Experts (as defined above) and In-House Counsel (as identified above), may be provided with one working copy of such documents, things or information. Any such working copy shall be promptly destroyed by or at the direction of the receiving party after the full and final disposition of this action.

### Efficient Resolution

High stakes commercial litigation is often characterized by disputes every, or practically every, step of the way. The relatively common dispute over whether in-house counsel should have the same access to the other party's confidential materials as outside trial counsel is an important dispute, particularly when, as is usually the case, one or more of the parties liberally designates its disclosed materials as "Confidential" and/or liberally designates some or all of the most crucial disclosed materials as "Confidential." The best way to resolve that dispute is to do so efficiently, and this article provides a framework for doing so.

### Notes

1. See, e.g., *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992), citing *U.S. Steel Corp. v. United States*, 730 F.2d 1465 (Fed. Cir. 1984).
2. *U.S. Steel*, 730 F.2d at 1468 (footnote omitted; emphases added).
3. *Id.*
4. *Matsushita Elec. Indus. Co., Ltd. v. United States*, 929 F.2d 1577, 1579 (Fed. Cir. 1991) (emphasis in original), citing *U.S. Steel*, 730 F.2d at 1468 n.3.
5. *Matsushita*, 929 F.2d at 1580.
6. See, e.g., *Avery Dennison Corp. v. Minnesota Mining & Mfg., Co.*, 2001 WL 1339402 (D. Del. Oct. 26, 2001); *Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525 (N.D. Cal. 2000); *In re Papst Licensing*, 2000 WL 1036184 (E.D. La. July 25, 2000); *Fluke Corp. v. Fine Instruments Corp.*, 32 U.S.P.Q.2d 1789 (W.D. Wash. 1994); *Amgen, Inc. v. Elanex Pharms., Inc.*, 160 F.R.D. 134 (W.D. Wash. 1994); *Sullivan Mktg., Inc. v. Valassis Comm., Inc.*, 1994 U.S. Dist. LEXIS 5824 (S.D.N.Y. May 5, 1994); *Carpenter Tech. Corp. v. Armco, Inc.*, 132 F.R.D. 24 (E.D. Pa. 1991); *A. Hirsh, Inc. v. United States*, 657 F. Supp. 1297 (Ct. Int'l Trade 1987). See also "Protective Order—Confidential Information—Access By In-House Counsel," *Fed. Litigator*, 122 (May 2001).
7. If the parties to an action are not competitors, then regardless of each in-house counsel's duties and responsibilities, neither of the parties can legitimately assert that a party's in-house counsel's access to the other party's confidential materials creates an unacceptable opportunity for inadvertent disclosure of those materials. Under such circumstances, in-house counsel's access is, in all relevant respects, indisputably the same as outside trial counsel's access. Indeed, that is true even if a party whose in-house counsel has such access is involved in a simultaneous or subsequent action with a competitor of a party to the current or earlier action.
8. *Matsushita*, 929 F.2d at 1580.
9. Some parties may argue or courts may decide that, as a compromise to granting or denying in-house counsel access to the other party's confidential materials, the party desiring such access may move the court for such access on a document-by-document or transcript-by-transcript basis. Such a compromise is certainly better than an outright denial of that access, but such a compromise fails to fully appreciate that many, if not most or all, of each party's substantive motions (e.g., motions for summary judgment) and expert reports will address, include, or be based upon, to some degree, the other party's confidential materials. Thus, the compromise will invariably impose additional, unnecessary burdens upon the court and the parties. Each time a party desires its in-house counsel to review a motion (i.e., even a draft of the party's own motion!) or an expert report, it will have to move the court for such access, which, even if granted, could take weeks to obtain. Assuming in-house counsel's access is initially denied by the court, a more practical compromise is for in-house counsel to have access to all substantive motions and expert reports, or at least its own substantive motions and expert reports, but not the complete exhibits or attachments thereto (e.g., "complete" documents or transcripts that set forth the other party's confidential materials).
10. See, e.g., *Intel*, 198 F.R.D. at 528-529; *Texas Catastrophe Prop. Ins. Assoc. v. Morales*, 975 F.2d 337, 351 (5th Cir. 1983).
11. See Fed. R. Civ. P. 1.
12. *Mitchell v. Johnston*, 701 F.2d 337, 351 (5th Cir. 1983).
13. See Fed. R. Civ. P. 1.
14. *U.S. Steel*, 730 F.2d at 1468.

