

# Exploring Common Interest Privilege

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# Meet the Speakers

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# Overview

## Topics

Definition of Common Interest Privilege

Common Situations Where the Common Interest Privilege Arises

Situations Where Common Interest Privilege Was Found Not to Apply

Waiver of the Privilege

Practice Pointers

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# Definition of Common Interest Privilege

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# Attorney Client Privilege

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- **Protects communications going from the attorney to the client and from the client to the attorney**
- **Designed to allow full disclosure and communication between attorneys and their clients**
- **Controlled by the client – but we need to be the guardians**
- **Requirements – must be:**
  - Communication – oral or written
  - Made between privileged persons
  - In confidence at time of communication; cannot do this retroactively
  - For the purpose of seeking, obtaining, or providing legal assistance to the client
- **IF these conditions are satisfied, then the communication typically need not be disclosed to third parties in litigation**

# Waiver

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- **Several types**
  - Purposeful disclosure
  - Compelled disclosure (subpoena)
  - Careless disclosure
  - Inadvertent (this tends to be more curable)
  - *Conveyance to third parties*
  
- **Once waived, or breached, privilege cannot be resurrected.**



# Common Interest Privilege

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- **Exceptions to Waiver** – sharing privileged information is **not** a waiver when there is a shared legal interest
- Courts are not in agreement on the proper scope of the common interest privilege:
  - The interests “must be ‘identical, not similar, and be legal, not solely commercial’” *In re Regents of the Univ. of Cal.*, 101 F.3d 1386, 1390 (Fed. Cir. 1996)
  - “[T]he common interest must relate to a litigation interest, and not merely a common business interest.” *For Your Ease Only, Inc., v. Calgon Carbon Corp.*, No. 02 C7345, 2003 WL 1989611, \*3 (N.D. Ill. April 28, 2003)
  - “The communication must relate to the common interest, which may be either legal, factual, or strategic in character. The interests of the separately represented clients need not be entirely congruent.” Restatement (Third) of the Law Governing Lawyers § 76 cmt. e
  - “[T]here need not be a clear demonstration of actual liability before a third party and a client can be considered to have sufficiently common interest in legal advice.” *SCM Corp. v. Xerox Corp.*, 70 F.R.D. 508, 524–25 (D. Conn. 1976)

# Common Interest Privilege

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- **Generally, there must be a communication between counsel**
- **Rationale for this:**
  - “[t]he requirement that the clients’ separate attorneys share information (and not the clients themselves) derives from the community-of-interest privilege’s roots in the old joint-defense privilege, which (to repeat) was developed to allow *attorneys* to coordinate their clients’ criminal defense strategies. Because the common-interest privilege is an exception to the disclosure rule, which exists to prevent abuse, the privilege should not be used as a *post hoc* justification for a client’s impermissible disclosures. The attorney-sharing requirement helps prevent abuse by ensuring that the common-interest privilege only supplants the disclosure rule when attorneys, not clients, decide to share information in order to coordinate legal strategies.”
  - *In re Teleglobe Commc’ns Corp.*, 493 F.3d 345, 364-5 (3d Cir. 2007) (internal citations omitted)



# Common Interest Privilege

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- **Generally, there must be a communication between counsel**
  
- **Exception to the rule:**
  1. “one party is seeking confidential information from the other on behalf of an attorney;
  2. one party is relaying confidential information to the other on behalf of an attorney; and
  3. the parties are communicating work product that is related to the litigation.”
  
- *INVISTA North America S.à.r.l v. M&G USA Corp.*, Civ. Action No. 11-1007-SLR-CJB, 2013 WL 12171721 at \*5 (D. Del. June 25, 2013) (adopting the same test).

# Common Situations Where the Common Interest Privilege Arises

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# Licensors and Licensees

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- **Potential exclusive licensee**

- *In re Regents of University of California*, 101 F.3d 1386, 1390 (Fed. Cir. 1996) – found that the “the legal interest between Lilly and UC was substantially identical because of the potentially – and ultimately – exclusive nature of the Lilly-UC license agreement”

- **Non-exclusive licensee**

- *Modern Front Applications v. Alaska Airlines*, No. 2:19-cv-00561, 2021 WL 364189, at \*2 (D. Utah Feb. 3, 2021), *denying mandamus In re Modern Font Applications LLC*, 846 F. App’s 918 (Fed. Cir. 2021) - The court ordered the production of settlement agreements with non-exclusive licensees because in this context, the parties did not have a common legal interest in obtaining valid, enforceable patent rights.

# Parties to a Joint Defense

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- **Generally, communications between co-defendants in a suit share a common legal interest.**
- ***Falana v. Kent State*, No. 5:08-cv-720, 2012 WL 6084630, at \*3-\*4 (N.D. Ohio Dec. 6, 2012)** – Court blocked the production of communications between the joint defendants in accordance with the joint defense agreement
- **Contents of the joint defense agreement itself may be protected**
  - Compare: *Biovail Laby's Intern. SRL v. Watson Pharms., Inc.*, No. 10-20526-CIV, 2010 WL 3447187, at \*1-\*2 (S.D. Fla. Aug. 30, 2010) with *Steuben Foods, Inc. v. GEA Process Eng'g, Inc.*, No. 12-CV-00904, 2016 WL 1238785, at \*2 (W.D.N.Y. March 30, 2016)

# Negotiations

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- **Courts have disagreed as to whether the common interest privilege attaches to communications between parties negotiating an agreement.**
- **Found that the common interest privilege applied: *Hewlett-Packard v. Bausch & Lomb*, 115 F.R.D. 308, 309 (N.D. Cal. 1987)**
- **Found that no common interest privilege applied: *10x Genomics v. Celsee*, 505 F.Supp. 3d 334, 340 (D. Del. 2020)**

# Other situations with Common Interest Privilege

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- **Purchasers**

- *BriteSmile, Inc. v. Discus Dental Inc.*, 2004 WL 2271589, No. C 02-3220 (N.D. Cal. 2004), order aff'd, 2004 WL 3331770 (N.D. Cal. 2004).

- **Accused Infringer and Its Insurer**

- *Hoist Fitness Systems, Inc. v. TuffStuff Fitness International, Inc.*, No. EDCV 17-1388, 2018 WL 8193374, \*5-\*7 (C.D. Cal. May 14, 2018).

- **Inventor and Assignee; Patent Assignee and Patent Assignor**

- *Rembrant Patent Innovations, LLC v. Apple, Inc.*, Nos. C 14-05094, C 14-05093, 2016 WL 427363, at \*4-\*5 (N.D. Cal. Feb. 4, 2016)
- But compare: *Network-1 Technologies v. Google*, 14-CV-02396, 2019 WL 6701909, at \*1 (S.D.N.Y. Dec. 9, 2019)

- **Patentee and Distributor**

- *Intex Recreation Corp. v. Team Worldwide Corp.*, 471 F.Supp. 2d 11, 16 (D.D.C. 2007)

# Situations Where the Common Interest Privilege Was Found Not to Apply

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# 10X Genomics, Inc. v. Celsee, Inc.

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- *10X Genomics, Inc. v. Celsee, Inc.*, 505 F.Supp.3d 334 (D. Del. 2020)
- During the litigation, non-party Bio-Rad Laboratories acquired 100% of Celsee's stock pursuant to an acquisition agreement.
- During two depositions, Celsee instructed witnesses not to answer questions relating to documents Celsee disclosed to Bio-Rad and communications between Celsee and Bio-Rad during the negotiations that led to the acquisition agreement
- 10X moved to compel the deposition of a witness to obtain this information
- To meet its burden that the common interest privilege applied, Celsee had to show that:
  - “the interests it claims to hold in common with Bio-Rad are ‘identical, not similar, and [are] legal’... and that the communications it seeks to protect ‘would no have been made but for the sake of securing, advancing, or supplying legal representation’”



# Sandoz Inc. v. Lannett Co.

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- *Sandoz Inc. v. Lannett Co.*, 570 F. Supp. 3d 258 (E.D. PA, 2020)
- An unfair competition and tortious interference case between two pharmaceutical companies
- Lannett claims it properly withheld documents it shared with its partner Cediprof on the basis of common interest privilege
- Although this was a 3<sup>rd</sup> circuit federal case, because the federal jurisdiction was exclusively on the basis of diversity jurisdiction, the Court applied Pennsylvania law to the question of privilege (see *F.R.E. 501 and 11101(c)*)
  - So, in this case, the party seeking to invoke the common interest doctrine must show “(1) the parties' agreement to same; (2) a common-interest in the litigation or a jointly shared litigation strategy; (3) the communications were made pursuant to such agreement, and (4) the continued confidentiality of the communications, i.e., the communications were not disclosed to other third parties such that the privileges were waived.” (*Pa. PUC v. Energy*, 177 A.3d 438, 445 (Pa. Commw. Ct. 2018))
- The Court examined a number of documents as to whether 1) “Cediprof and Lannett shared a common interest,” and 2) “whether the privilege was waived”

# KPH Healthcare Servs. v. Mylan, N.V.

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- Case No. 2:20-cv-02065-DDC-TJJ
  - 2022 U.S. Dist. LEXIS 151439 (D. Kan. 2022); 2022 U.S. Dist. LEXIS 219982 (D. Kan. 2022)
- Plaintiffs in this case are purchasers of EpiPens. Mylan markets, sells, and distributes EpiPens in the U.S. Pfizer, a previous defendant in the case, manufactures, holds patents, and supplies EpiPens to Mylan. Plaintiff alleges antitrust violations against Mylan and Pfizer related to their agreements with Teva Pharmaceuticals regarding entry of its generic EpiPen into the market.
- This case relates to the privilege status of communications shared between Mylan and Pfizer, to which Mylan asserted that the common interest privilege applied.
- Therefore, Mylan had to demonstrate
  - "A community of interest exists where different persons or entities 'have an identical legal interest with respect to the subject matter of a communication between an attorney and a client concerning legal advice . . . . The key consideration is that the nature of the interest be identical, not similar.'"

# Waiver of the Privilege

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# Waiver of the Common Interest Privilege

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- In general, each party can waive privilege only with respect to its own communications and no party can authorize a waiver on behalf of another
- For communications covered by the common interest privilege, therefore, waiver only occurs if a disclosure is made to an unrelated third party with the knowledge, awareness, or consent of both parties, unless a non-consenting party's communications can be redacted.
  - *Restatement (Third) of the Law Governing Lawyers, cmt (g)*
  - *Robert Bosch LLC v. Pylon Mfg. Corp.*, 263 F.R.D. 142 (D. Del. 2009)

# Static Control Components, Inc. v. Lexmark Intern., Inc.

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- *Static Control Components, Inc. v. Lexmark intern., Inc.* (Civ. Action No. 04-84-GFVT), 2007 WL 926985 (N.D. Ohio 2007)
- This litigation related to Lexmark's printer and toner programs and included three counterclaim defendants (cartridge remanufacturers). Static Control and the counterclaim defendants were parties to a common interest agreement.
- One of the counterclaim defendants (Pendl) intended to rely on the advice-of-counsel defense to willful patent infringement claims, relying on an opinion letter from non-litigation counsel it received prior to litigation.
- Pendl waived its own privileges with respect to the opinion letter.
- Lexmark served a subpoena duces tecum on Static Control's trial counsel (Wyatt), seeking discovery of communications between Wyatt and Pendl related to the opinion letter.

# Best Practices

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The Very Best Practice is to Never Disclose  
Privileged Materials to Third Parties

*and*

If Materials are Disclosed to Third Parties,  
Plan for Waiver

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# Mitigating Risk During Due Diligence

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- Due diligence necessarily involves communicating with third parties and asking for/reviewing third party information
  - Often sensitive in nature.
  - Time is of the essence.
  - How to reduce risk?





# Set the Stage

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- Avoid waiving privilege during due diligence (by either party)
  - Do not share (or ask for) opinion letters or anything that is attorney-client privileged
  - *Sharing any privileged information may result in full subject matter waiver*
- Consider using outside counsel (instead of in-house personnel) to review confidential information to reduce contamination risk
- Plan for staged disclosures:
  - Enter into a confidentiality agreement;
  - Request only public information first;
  - Share public documents (e.g., prior art documents of potential relevance), *not* analysis;
  - Discuss issues verbally

# Considerations for Sharing Privileged Legal Opinions

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- First: ensure there is a confidentiality agreement in place.
  - *Disclosure in the absence of a confidentiality agreement can negate the common interest privilege*
- Is there a common legal interest/joint privilege between the parties?
  - Assume there is NOT and plan for waiver in any case
  - If there is, have the parties executed a common interest/joint privilege agreement?
- If “No”, share FACTS only:
  - Did you receive an opinion of counsel?
    - Answer: Yes or No
  - On what date and by whom?
  - What references were relied on?
- Even if “Yes”, still consider sharing FACTS only

# Common Interest Agreements

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- A written agreement documenting the parties' common legal interest that can extend the attorney-client privilege to allow parties represented by different counsel to share information without waiving privilege
  - Include facts that support the presence of an identical common legal interest, such as:
    - Validity of patents in the transaction
    - Anticipation of litigation against an identifiable adverse party
- Effectiveness
  - More likely to be effective near the end of the diligence process (when a party needs more (privileged) information to become comfortable enough to proceed with the transaction).
  - Generally not effective earlier on – especially when multiple suitors are still involved
- Use
  - What—Restrict disclosures to materials related to the common legal interest recited in the agreement
  - Who— Exchange information only between the parties to the agreement, and limit personnel authorized to receive information under the agreement
  - When— Only while the common legal interest exists



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