May 29, 2014

Protecting Confidences: Applicability of the Attorney-Client Privilege to Communications Made in Japan

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The attorney-client privilege has been a part of Anglo-American jurisprudence for centuries.[1] With the increased importance of globalization and the prevalence of cross-border transactions of all kinds, the availability of the privilege to protect the confidentiality of sensitive communications between clients and their lawyers has become uncertain because of varying approaches to the privilege in different jurisdictions. At the same time, issues regarding the applicability of the attorney-client privilege have gained importance as a result of the explosion of patent lawsuits in the U.S., including a growing number of lawsuits against non-U.S. companies. This article focuses on the issue with respect to one particular jurisdiction: the applicability of the attorney-client privilege to communications between a Japanese *bengoshi* or *benrishi*[2] and his client in connection with U.S. patent litigation.

Issues relating to the attorney-client privilege often arise at the very start of a patent infringement lawsuit. The first step taken by a company after it learns it is being accused of infringing one or more patents – whether it learns of these accusations in a letter from the patent owner or upon being presented with a complaint – typically involves evaluating the strength of the patent owner's infringement claims and of possible invalidity defenses.[3] It is important that such an analysis be objective and thorough so that the accused company can realistically determine how to respond to the infringement accusation. It is also crucial that the evaluation be prepared in a way to ensure it will not have to be provided to the patent owner during the litigation. If the evaluation is done by a U.S. lawyer, then it will fall likely within the attorney-client privilege and will remain protected. But, if the analysis is performed by a *bengoshi* or *benrishi*, can the company be confident its opponent will not be able to obtain the analysis?

Overview of the Attorney-Client Privilege in the U.S.

The purpose of the attorney-client privilege, as it has been for hundreds of years, is to encourage full and frank communications between a lawyer and his client. *U.S. v. Zolin*, 491 U.S. 554, 562 (1989). Even though courts sometimes articulate the elements

of the attorney-client privilege in different ways, the fundamental principles are essentially the same: "To invoke the attorney-

[1] *See In re Seagate Technology, LLC*, 497 F.3d 1360, 1372 (Fed. Cir. 2007) (noting that the attorney-client privilege "is the oldest of the privileges for confidential communications known to the common law").

[2] *Bengoshi* are registered attorneys in Japan, while *benrishi* are registered patent attorneys in Japan. Under Japanese law, bengoshi and benrishi are both explicitly given statutory privilege protection under Japanese law. In contrast, U.S. patent agents, who do not have a law degree or a state bar admission, are not automatically accorded such statutory privilege under USPTO regulations, and as explained below, courts are split on whether communications with U.S. patent agents qualify for protection under the attorney-client privilege.

[3] In many instances, the allegations of infringement do not identify in any meaningful way the patent claims alleged to have been infringed or the products at issue. Nevertheless, companies will usually want to assess the infringement accusations as best they can with the information presented to them.

client privilege, a party must demonstrate that there was: (1) a communication between client and counsel, which (2) was intended to be and was in fact kept confidential, and (3) made for the purpose of obtaining or providing legal advice." *U.S. v. Construction Prod. Research, Inc.*, 73 F.3d 464, 473 (2d Cir. 1996). Numerous issues arise regarding each of the three components: Is a person communicating with an attorney on behalf of a corporation in a position to be considered a client? Who qualifies as an attorney for purposes of the attorney-client privilege? Is the information for which privilege is claimed a communication? Was the communication kept confidential? Was it made for the purpose of obtaining or providing legal advice? The answers to each of these questions merit a separate article and will not be addressed in depth here.[4] The party who wishes to rely on the attorney-client privilege has the burden of establishing that it applies. If a party fails to promptly assert the privilege as to a particular communication, in most situations it will lose the ability to claim the privilege.

The attorney-client privilege applies not only to communications directly between an attorney and his client, but will also extend to communications between the client and the attorney's representative, a client's representative and the attorney and between the attorney and his representative – as long as the purpose of the communication is to facilitate the rendering of legal services. *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 518 (S.D.N.Y. 1992). In the context of patents, therefore, a U.S. patent agent who is assisting an attorney, will generally fall within the attorney-client privilege. *Id.* at 518-519.

Where a patent agent is acting independently and not at the direction of an attorney, courts in the U.S. are divided as to whether communications between the agent and the client are privileged, although the majority have concluded that the privilege applies. *Cf. Buyer's Direct Inc. v. Belk, Inc.*, 2012 WL 1416639 (C.D. Cal. 2012) (communications between client and registered U.S. patent agent subject to privilege) *with In re Rivastigmine Patent Litigation*, 2006 WL 2265037 (S.D.N.Y. 2006) (refusing to extend attorney-client privilege to unsupervised patent agent).

Privilege Involving Japanese Companies and Attorneys

But what if the communications in question are between a *bengoshi* and his Japanese client? Or a *benrishi* and client? Can documents containing such communications be withheld from production in a lawsuit pending in the U.S. on the basis of the attorney-client privilege?

The first issue to consider in resolving these questions is whether U.S. or Japanese law will apply. For example, if a *benrishi* provides an opinion to a Japanese client regarding claims that its products infringe a patent asserted in a lawsuit in the U.S., will the U.S. court considering whether the opinion is protected by the attorney-client privilege look to U.S. or Japanese law?

Although U.S. courts have not taken a uniform approach to this question, most have adopted the "touch base" rule, which provides that communications between attorney and client that have merely an incidental connection to (thus only "touching base" with) the U.S. should be governed by the privilege law of the foreign jurisdiction. *VLT Corp. v. Unitrode Corp.*, 194 F.R.D. 8, 16-17 (D. Mass. 2000) (letter referencing U.S. patent has only incidental connection to the U.S., and Japanese law will apply). Other courts have relied on a variety of other tests, many of which balance the interests of the countries involved and apply the law of the country that has "the dominant interest in" the communication as to which privilege protection is sought. *See Golden Trade, S.r.L.*, 143 F.R.D. at 520-521 (in U.S. patent infringement case, laws of countries where various patent agents resided

[4] American law also recognizes what has become known as the "work product rule," which protects materials (which may include an attorney's thoughts or impressions) prepared by an attorney in connection with litigation. The attorney-client privilege protects communications, the work product rule protects information, whether or not it was ever communicated to a client. The work product rule does not provide absolute protection; a court has the authority to order the production of some work product materials upon a showing of need by the requesting party.

governed question of whether privilege protected communications between those agents and Italian company because the foreign countries have "the predominant interest in whether those communications should remain confidential").[5]

Prior to 1998, the issue of which country's law applied was more important than it is now. Back then, most American courts held that Japanese law did not provide for the attorney-client privilege, so a conclusion that Japanese law applied to a particular matter almost surely meant there would be no privilege. *See Alpex Computer Corp. v. Nintendo Co., Ltd.*, 1992 WL 51534, at *2-*3(S.D.N.Y. 1992) (Japanese Code of Civil Procedure did not permit the withholding of documents on the ground of attorney-client privilege); *Detection Systems, Inc. v. Pittway Corp.*, 96 F.R.D. 152, 156 (W.D.N.Y. 1982) (absent specific showing of right to privilege in Japan, party could not withhold documents on the basis of privilege). The conclusion that Japanese law did not protect communications between a *benrishi* and his client was widely accepted. *See Honeywell, Inc. v. Minolta Camera Co., Ltd.*, 1990 U.S. Dist. LEXIS 5954 (D.N.J. 1990) (*benrishi* could not be subject to attorney-client privilege because they are not members of local Japanese bar).[6]

The significance of whether to apply U.S. or Japanese law to a privilege issue became less important in 1998 when Japan amended its Code of Civil Procedure to provide for something very close to attorney-client privilege. Article 197(2) states that a lawyer (which is explicitly defined to include a *benrishi* as well as a *bengoshi*) may refuse to testify where he "is questioned with regard to [a] fact [of] which he has obtained knowledge in the exercise of his professional duties and should keep secret." Similarly, Article 220(b) permits a *benrishi* or *bengoshi* to refuse production of a document "stating therein the fact provided for in Article 197(2)." Consequently, the trend among U.S. courts is to uphold the attorney-client privilege for communications between *benrishi* and their clients based on those provisions. *Esai Ltd. v. Dr. Reddy's Laboratories, Inc.*, 406 F. Supp. 2d 341, 342-345 (S.D.N.Y. 2005); *Murata Manufacturing Co., Ltd. v. Bel Fuse Inc.*, 2005 WL 281217 (N.D. Ill. 3005); *Knoll Pharmaceuticals, Inc. v. Teva Pharmaceuticals USA, Inc.*, 2004 WL 2966964 (N.D. Ill. 2004); *VLT Corp. v. Unitrode Corp.*, 194 F.R.D. at 17.[7]

Ensuring that communications will be privileged

Simply because most U.S. courts may conclude that the attorney-client privilege is available for communications between a *benrishi* or *bengoshi* and his client does not mean the courts will apply the privilege for all such communications. If the communication is not confidential or is not made for the purpose of obtaining or providing legal advice (such as, where a lawyer provides technological or financial advice), courts will not shield the communication as privileged. Similarly, if a privileged communication is provided to a person outside the attorney-client relationship, it will lose its privileged status – although the privilege may not be waived if produced to a third party inadvertently. It is, therefore, important to take precautions to ensure that the privilege will apply and that it will not be lost.

The following steps should be taken, at a minimum, to trigger and protect the privilege:

- ☐ Make sure only people who are part of the attorney-client relationship receive a communication intended to be privileged; do not send it to anyone who does not need to know the information.

[5] In truth, both the *VLT Corp.* and *Golden Trade* courts performed a similar balancing analysis with the "touching base" rule as a starting point, so it may not be that there are two distinct tests. The real question in every case is how the court will apply the "touching base" and balancing exercises in the context of the facts before it.

[6] Of course, some courts similarly held that "no communications from patent agents, whether American or foreign, are subject to an attorney-client privilege in the United States." *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1169 (D.S.C. 1975); *see also Stryker v. Intermedics Orthopedics, Inc.*, 145.F.R.D. 298, 304 (S.D.N.Y. 1992). However, that position was not universally followed. *Buyer's Direct Inc.*, 2012 WL 1416639.

[7] The issue of which jurisdiction's law applies may still have some impact as differences remain between the attorney-client privilege under Japanese law and under U.S. law.

- ☐ Make sure the communication contains only information relating to legal advice; if non-legal issues also have to be covered, do so in a separate communication.
- ☐ When working with Japanese companies and professionals, make sure they understand the privilege rules.
- ☐ If possible, label all documents that qualify with a "Confidential Attorney-Client Privilege" header or stamp.
- ☐ When providing information to another party, whether or not in litigation, double check to ensure that none of the information being provided is protected by the attorney-client privilege.
- ☐ If privileged materials are inadvertently given to a third party, take steps immediately to retrieve them.
- ☐ If lawyers, patent agents or companies outside of the U.S. and Japan are involved, learn the law of their country regarding privilege and make sure confidential communications comply with that law – as well as with the privilege laws of the U.S. and Japan.

Japanese companies need not fear having full and complete communications with their *benrishi* and *bengoshi* regarding sensitive issues dealing with patents or patent litigation. If they are careful that the communications meet the elements of the attorney-client privilege – the communications are with counsel or her agent, are confidential and relate to the giving or receiving of legal advice – U. S. courts will likely consider the communications protected by the attorney-client privilege.

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