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IN-HOUSE COUNSEL ACCESS TO CONFIDENTIAL INFORMATION PRODUCED DURING DISCOVERY IN INTELLECTUAL PROPERTY LITIGATION

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I. INTRODUCTION

At the outset of intellectual property litigation, attorneys are not likely to consider whether a party's in-house counsel will have access to confidential information produced by an opposing party during discovery. Yet, this issue arises more frequently than many attorneys are aware. The failure to recognize the potential for disclosure of confidential information can cause considerable consternation among in-house and outside counsel for plaintiffs as well as defendants.

For example, an in-house corporate patent counsel may be intimately involved in prelitigation activities relating to a competitor's possible infringement of one or more of the corporation's patents. Not surprisingly, this in-house counsel expects to play an important role as a member of the litigation team if and when his corporation files a patent infringement action. Once the lawsuit begins, however, the in-house counsel may be precluded from meaningful participation during discovery. He or she may not have any access to documents, interrogatories, or deposition testimony regarding the alleged infringement. Conversely, in-house patent counsel for the alleged infringer may find himself or herself in a similar position with respect to the confidential information regarding the patent that is the subject of the litigation. Clearly, preclusion from discovery and other aspects of the litigation severely hinders the efforts of in-house counsel.

This Article summarizes the current case law relating to in-house counsel access to confidential information produced during discovery in intellectual property litigation. In doing so, the Article focuses on the factors courts weigh in their determination whether

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they should permit or deny in-house counsel access. The primary consideration is the risk of inadvertent disclosure of confidential materials. Courts must also analyze the extent of in-house counsel participation in corporate "competitive decisionmaking" and the ability of the corporation to segregate in-house counsel from these decisions.¹ Additional factors include: the title and duties of a particular in-house attorney within the corporation; the nature of the averments in affidavits supporting in-house counsel access; the showing made in support of such access; and even whether in-house counsel is admitted to the bar of the court with jurisdiction over the dispute.²

Federal Rule of Civil Procedure (FRCP) 26(c) provides in relevant part:

Upon motion by a party . . . and for good cause shown, the court in which the action is pending . . . may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including . . . that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way. . . .³

Although a court may protect trade secrets and other confidential information during discovery, there is no absolute privilege which prevents disclosure.⁴ It is the burden of the party seeking a protective order to demonstrate that good cause exists to support such an order.⁵ To satisfy this burden, the moving party must show: (1) "disclosure will work a clearly defined and very serious injury"; and (2) there "will indeed be harm by disclosure."⁶

In most cases, the parties in intellectual property litigation will agree that a protective order is necessary to ensure the confidentiality of business or technical information produced by each side during discovery. However, the parties may disagree as to whether the "in-house" counsel of the parties will have access to such information. The rationale supporting preclusion of such access is that in-house counsel may inadvertently or intentionally disclose confi-

1. *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984). See *infra* part II section A for a detailed discussion of *U.S. Steel*.

2. See *infra* parts III and IV (discussing the application of these principles).

3. FED. R. CIV. P. 26(c)(7) (1987).

4. *E.g.*, *Cuno Inc. v. Pall Corp.*, 117 F.R.D. 506, 507 (E.D.N.Y. 1987) (citations omitted). For an in-depth discussion of issues arising in the context of the discovery of trade secrets, see generally James R. McKown, *Discovery of Trade Secrets*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 721 (1993).

5. *Cuno*, 117 F.R.D. at 508 (citations omitted).

6. *Id.* (citations omitted). In *Cuno*, a patent infringement action, the court found that the defendants failed to establish that the documents at issue contained confidential commercial information, that the harm to defendants was "cognizable", and that defendants established the requisite good cause. *Id.* The court denied the defendants' motion for a protective order without addressing the issue of in-house counsel access. See *id.*

dential information to non-attorney employees of the party. This grants the receiver of the information a competitive advantage in the marketplace. The party seeking in-house counsel access primarily argues that its in-house counsel has particular expertise and experience which is necessary to enable that party to fully litigate its claim or defense.

II. THE FEDERAL CIRCUIT'S ANALYSIS: IN-HOUSE COUNSEL AND "COMPETITIVE DECISIONMAKING"

A. U.S. Steel Corp. v. United States

Although older authority supports the view that in-house counsel of a party should not have access to confidential information produced during discovery,⁷ the touchstone for any modern analysis of whether a court should permit or deny in-house counsel such access in intellectual property litigation is the Federal Circuit's seminal decision in *U.S. Steel Corp. v. United States*.⁸ In *U.S. Steel*, the United States Court of International Trade (CIT) previously denied U.S. Steel's corporate in-house counsel access to confidential information produced by foreign exporters of steel products.⁹ The action involved a negative preliminary injury determination by the United States International Trade Commission (ITC).¹⁰ In denying access,

7. See, e.g., *Federal Trade Comm'n v. Exxon Corp.*, 636 F.2d 1336, 1349-51 (D.C. Cir. 1980) (holding that, in an FTC administrative action, the district court did not abuse its discretion when it denied in-house counsel access to confidential information of a potential competitor); *Davis v. General Motors Corp.*, 64 F.R.D. 420, 422-24 (N.D. Ill. 1974) (permitting only plaintiff's trial counsel and non-party, court-approved, independent experts to access defendant's confidential business information and trade secrets); *Triangle Ink and Color Co., v. Sherwin-Williams Co.*, 61 F.R.D. 634, 636 (N.D. Ill. 1974) (restricting access to defendant's confidential information to plaintiff's trial counsel and independent experts agreed to by the parties); *Spartanics, Ltd. v. Dynetics Eng'g Corp.*, 54 F.R.D. 524, 526-27 (N.D. Ill. 1972) (granting access to confidential information in a patent infringement action and limiting it to "only . . . those attorneys charged with the responsibility for, and actively engaged in, trial preparation"); *Federal Trade Comm'n v. United States Pipe and Foundry Co.*, 304 F. Supp. 1254, 1261 (D.D.C. 1969) (denying in-house counsel access to confidential documents produced by a competitor under subpoena in an FTC administrative action in which in-house counsel of record was also the corporate secretary); see also Edward W. Murray, Esq., *Involvement of In-house Corporate Counsel in Patent Litigation*, ARTHUR ANDERSEN COUNSEL TO COUNSEL (Litigation Services of Arthur Andersen-Metro New York), Mar./Apr. 1992, at 11, 13 (citing *SCM Corp. v. Xerox Corp.*, Civ. No. 15807 (D. Conn. May 25, 1977) (Pretrial ruling No. 44) (denying in-house counsel access to competitor's confidential information), *aff'd sub nom. without opinion*, *In re Xerox Corp.*, 573 F.2d 1300 (2d Cir. 1977)). But see *Xerox Corp. v. International Bus. Mach. Corp.*, 75 F.R.D. 668, 671-72 (S.D.N.Y. 1977) (holding, inter alia, that in an action for trade secret misappropriation, the defendant could not limit plaintiff's initial inspection of defendant's "highly sensitive" documents to outside counsel only).

8. 730 F.2d 1465 (Fed. Cir. 1984).

9. *Republic Steel Corp. v. United States*, 572 F. Supp. 275, 276 (Ct. Int'l Trade 1983).

10. *Id.*

the CIT relied upon its statutory authority to control access to confidential information in cases before it,¹¹ and its prior conclusion that "[t]he need for access is outweighed by the potential danger which the [c]ourt sees in disclosure to in-house counsel and the resulting possibility of inadvertent disclosure."¹² The CIT certified "the question of whether access [to confidential information] may be denied solely because of counsel's in-house status" for interlocutory review by the Federal Circuit.¹³

The Federal Circuit held that "status as in-house counsel cannot *alone* create the probability of serious risk to confidentiality and cannot therefore serve as the *sole* basis for denial of access" and vacated the CIT's decision.¹⁴ The Federal Circuit further stated: "access should be denied or granted on the basis of each individual counsel's actual activity and relationship with the party represented, without regard to whether a particular counsel is in-house or retained."¹⁵ Moreover, the Federal Circuit rejected the CIT's distinction between in-house and retained counsel:

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 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 . . . 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*.¹⁶

11. Section 1516 of Title 19 authorizes the CIT to control access to confidential information in cases before it. *U.S. Steel*, 730 F.2d at 1467. The statute provides:

Confidential or privileged material. — The confidential or privileged status accorded to any documents, comments, or information shall be preserved in any action under this section. Notwithstanding the preceding sentence, the court may examine, in camera, the confidential or privileged material, and may disclose such material under such terms and conditions as it may order.

19 U.S.C. § 1516a(b)(2)(B) (1988).

12. *Republic Steel*, 572 F. Supp. at 276.

13. *Id.* at 277.

14. *U.S. Steel*, 730 F.2d at 1469 (emphasis added).

15. *Id.*

16. *Id.* at 1468 (footnote omitted and emphasis added). One of the courts applying the same theory wrote: "The type of service performed by a house counsel is substantially like that performed by many members of large urban law firms. The distinction is chiefly that house counsel gives advice to one regular client, the outside counsel to several regular clients." *United States v. United Shoe Mach. Corp.*, 89 F. Supp. 357, 360 (D. Mass. 1950).

Some courts disagrees with this analysis:

The *U.S. Steel* court also noted that a lower court could design a suitable protective order to prevent inadvertent disclosure. The court should design the order "in light of the particular counsel's relationship and activities," rather than based "solely on a counsel's status as in-house or retained."¹⁷ Thus, an analysis of the specific facts relating to a particular in-house counsel's duties and activities is necessary to determine whether and to what extent in-house counsel access to confidential information is permissible.

Among the factors identified in *U.S. Steel*, the most prominent is whether in-house counsel participates in the "competitive decisionmaking" of the corporation.¹⁸ As defined by the Federal Circuit, "competitive decisionmaking" 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.¹⁹

Because participation by in-house counsel in "competitive decisionmaking" increases the likelihood of inadvertent disclosure, the Federal Circuit concluded that "where in-house counsel are involved in competitive decisionmaking, it may well be that a party seeking access should be forced to retain outside counsel or be denied the access recognized as needed."²⁰

Although the holding in *U.S. Steel* involved the CIT's authority to control access to confidential information in the administrative record, the case is persuasive with respect to discovery governed by the Federal Rules of Civil Procedure. In *A. Hirsh, Inc. v. United States* the CIT opined:

While the disclosure of the administrative record under 19 U.S.C. § 1516a(b)(2)(b) is not technically discovery, it "serve[s] the same purpose. Both are designed to allow a plaintiff to adequately develop and prosecute its case." . . . Because "[t]raditional pretrial discovery and disclosure of administrative records are, at the very least, equivalent procedures . . . and because the language of Fed. R. Civ. P. 26(c)(7) is essentially identical to CIT Rule 26(c)(7), "we may look to cases construing the federal rule to aid us here."²¹

The Court does not in any way doubt the faithfulness of house counsel in endeavoring to abide by the terms of any protective order. The issue concerns not good faith but risk of inadvertent disclosure. House counsel are employed full-time to advance the interests of their employer. They regularly meet with personnel of the corporation on day-to-day matters, wholly apart from this litigation.

SCM, Pretrial Ruling No. 44 at 3, Civ. No. 15807 (D. Conn. May 25, 1977)

17. *U.S. Steel*, 730 F.2d at 1468.

18. *Id.*

19. *Id.* at 1468 n.3.

20. *Id.* at 1468.

21. 657 F. Supp. 1297, 1303 (Ct. Int'l Trade 1987) (citations omitted), *dismissed on other grounds*, 12 Ct. Int'l Trade 721 (Ct. Int'l Trade 1988). In *A. Hirsh*, the CIT denied in-house counsel access to certain confidential information relating to governmental investigations of imported paint brushes. *Id.*

Although, the Federal Circuit applied the analogous CIT discovery rule to decide *A. Hirsch*, there are many other factors which come into play under the *U.S. Steel* analysis which will affect in-house counsel access to confidential information.

B. *Akzo N.V. v. United States*

Two years after *U.S. Steel*, the Federal Circuit revisited the issue of in-house counsel access to confidential information.²² In *Akzo v. United States International Trade Commission*, and in connection with an ITC investigation pursuant to section 337 of the Tariff Act,²³ the ITC found that Akzo failed to demonstrate a need for three designated members of its in-house counsel to have access to the requested confidential business materials produced by its competitor DuPont.²⁴

The ITC's protective order provided that either party could designate business information as confidential.²⁵ Any party disclosing such information could do so only in an *in camera* proceeding before the ITC.²⁶ Although there could be no disclosure to in-house counsel, all of the protected information was available to outside counsel.²⁷ Moreover, either party could object to its adversary's designation of information as confidential.²⁸ In the event the parties failed to agree on the proper status of the information, the protective order provided that they could submit the question to the

The in-house counsel was a member of the Hirsh family, and an officer of the plaintiff company. *Id.* at 1299. The CIT found that plaintiff's in-house counsel was not sufficiently isolated from the policymaking elements of plaintiff's corporation "to render the risk of disclosure *de minimis*." *Id.* at 1303.

22. *Akzo N.V. v. United States Int'l Trade Comm'n*, 808 F.2d 1471 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987).

23. 19 U.S.C. § 1337 (1988).

24. 808 F.2d at 1482. Akzo also sought access for one of its management personnel. *Id.*

25. The ITC's administrative rules define "confidential business information":

Confidential business information is information which concerns or relates to the trade secrets, processes, operations, style of works, or apparatus, or to the production, sales, shipments, purchases, transfers, identification of customers, inventories, or amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or other organization, or other information of commercial value, the disclosure of which is likely to have the effect of either impairing the Commission's ability to obtain such information as necessary to perform its statutory functions, or causing substantial harm to the competitive position of the person, firm, partnership, corporation, or other organization from which the information was obtained, unless the Commission is required by law to disclose such information. The term "confidential business information" includes "proprietary information" within the meaning of section 777(b) of the Tariff Act of 1930 (19 U.S.C. § 1677f(b)).

19 C.F.R. § 210.30(d)(7) (1993).

26. *Akzo*, 808 F.2d at 1482.

27. *Id.* at 1483.

28. *Id.*

ITC for resolution.²⁹ The parties could also employ this mechanism to permit disclosure of otherwise classified materials to particular persons.³⁰ The protective order expressly permitted other exceptions made by the ITC.³¹

On appeal, Akzo contended that the protective order effectively deprived it of its rights to confrontation, rebuttal, and effective assistance of counsel.³² The Federal Circuit affirmed the ITC's decision, initially noting that Akzo never invoked the protective order's dispute resolution procedures to challenge DuPont's designation of business information as confidential.³³ In addition, the Federal Circuit observed: "[I]n Section 337 investigations, it is the exception rather than the rule to release confidential information to in-house counsel."³⁴ Moreover the court wrote:

The primary justification for the Commission's reluctance to grant adversary management and in-house counsel access to confidential business information is that, in order to discharge its statutory responsibility within the strict statutory time limits, the Commission is heavily dependent on the voluntary submission of information. Disclosure of sensitive materials to an adversary would undoubtedly have a chilling effect on the parties' willingness to provide the confidential information essential to the Commission's fact-finding processes. The Commission has resolved the difficult and controversial question of the role of in-house counsel by taking a conservative position on the side of optimum shielding of business information. Obviously, where confidential material is disclosed to an employee of a competitor, the risk of the competitor's obtaining an unfair business advantage may be substantially increased. This general Commission position is neither unreasonable nor arbitrary. It represents an appropriate balancing between the needs demanded by the Commission's process and the parties' need for participation by its in-house personnel.

This is especially true because there is no *per se* rule against disclosure to either a competitor's in-house counsel or management representative.³⁵

The Federal Circuit also approved of the ITC's use of a three-part balancing test to determine whether the circumstances warrant release of confidential information.³⁶ The ITC considered whether: (1) the party needed the confidential information to "adequately prepare for its case"; (2) the extent to which release of the

29. *Id.*

30. *Id.*

31. *Akzo*, 808 F.2d at 1483.

32. *Id.* at 1482.

33. *Id.* at 1483.

34. *Id.* (quoting *Certain Rotary Wheel Printers*, Inv. No. 337-TA-145, 5 I.T.R.D. 1933, 1935 (Nov. 4, 1983)). For an in-depth discussion of deficiencies in the ITC's approach to in-house counsel access, see AMERICAN BAR ASSOCIATION SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW, 1990 COMMITTEE REPORTS 251-54 (1990).

35. *Akzo*, 808 F.2d at 1483-84. Interestingly, the Federal Circuit did not cite *U.S. Steel*, discussed *supra* at notes 8 to 20 and accompanying text.

36. *Id.* at 1484.

information would harm the divulging party; and (3) the "forum's interest in maintaining the confidentiality of the information sought."³⁷

C. *Matsushita Electric Industrial Co. v. United States*

More recently, in *Matsushita Electric Industrial Co. v. United States*,³⁸ the Federal Circuit reversed the CIT's decision denying in-house counsel access to confidential information of the opposing party. The plaintiffs and the Tandy Corporation were parties in an antidumping proceeding before the ITC and the U.S. Department of Commerce.³⁹ The ITC granted Tandy's in-house "General Counsel" access to the plaintiffs' proprietary business information disclosed to the ITC in its investigation.⁴⁰ The plaintiffs thereafter obtained an injunction from the CIT preventing Tandy's in-house counsel from receiving such information.⁴¹

On appeal, the Federal Circuit noted as a threshold matter that Congress intended the Commerce Department and the ITC to follow *U.S. Steel* in determining whether in-house counsel should have access to confidential information produced in the course of an antidumping investigation.⁴² The court also noted that, although the CIT accepted plaintiffs' argument that Tandy's single in-house counsel participated in competitive decisionmaking, the undisputed record of letters and an affidavit describing the duties of the in-house counsel established that he had no involvement in decisions relating to pricing, technical product design, vendor selection, or marketing strategy.⁴³ In fact, the record established that his activities were primarily legal in nature, with administrative duties limited primarily to Tandy's employee benefits plan.⁴⁴ Thus, in the Federal Circuit's view, the ITC correctly concluded that in-house counsel "was sufficiently insulated from competitive decisionmaking" and therefore that no "risk of inadvertent disclosure" existed.⁴⁵ Moreover, the Federal Circuit found that the CIT applied the wrong

37. *Id.*

38. 929 F.2d 1577 (Fed. Cir. 1991).

39. *Id.*

40. *Id.* The ITC granted Tandy's General Counsel access pursuant to an ITC administrative protective order, as provided for in 19 U.S.C. § 1677f(c)(1)(A) (1988). *Id.*

41. *Matsushita Elec. Indus. Co. v. United States*, 746 F. Supp. 1103 (Ct. Int'l Trade 1990).

42. *Matsushita Elec. Indus. Co. v. United States*, 929 F.2d at 1578-79 (citing H.R. REP. NO. 576, 100th Cong., 2d Sess. 623 (1988), reprinted in 1988 U.S.C.C.A.N. 1548, 1656). The court wrote: "The legislative history thus indicates that Congress intended to adopt the standard for access to information set forth in our decision in *U.S. Steel*." *Id.* at 1578.

43. *Id.* at 1579-80. This was so even though the individual served three roles as General Counsel, Senior Vice President and Secretary.

44. *Id.* at 1579.

45. *Id.* at 1580.

standard when it denied in-house counsel access to plaintiffs' confidential information:

[The CIT] overturned the ITC's determination based on its own assessment that "[the in-house counsel's] established positions as Senior Vice President and Secretary do not adequately isolate him from the *polycymaking elements* of the corporation so as to render the risk of inadvertent disclosure minimal." The court found that his positions brought him into "regular contact" with executives who were "involved in day-to-day pricing and policy decisions," in the context of what necessarily are "*competitive decisionmaking meetings*."⁴⁶

However, the Federal Circuit found that "regular contact" with those who participated in "day-to-day pricing and policy decisions" was beside the point when determining whether an in-house attorney could have access.⁴⁷ Courts must look at the in-house counsel's participation in these decisions rather than at what contact the attorney has with corporate employees and fiduciaries. Advice and participation in competitive decisionmaking is clearly the touchstone of analysis.⁴⁸ Finally, in *Matsushita Electric*, the Federal Circuit reaffirmed the position that *U.S. Steel* rejected any *per se* rule that in-house counsel status alone prevents access to confidential information produced during discovery:

Indeed, the [CIT's] conclusion here even seems to suggest that general counsel are automatically to be denied access to confidential information merely because they have regular "contact" with those who are involved in competitive decisionmaking, a criterion which would disqualify almost *all* in-house counsel and thus effectively constitute the very *per se* rule we rejected in *U.S. Steel*.⁴⁹

These three seminal cases—*U.S. Steel*, *Akzo*, and *Matsushita Electric*—established the modern standard used by courts to decide the propriety of in-house counsel access to confidential information during discovery. All three opinions rejected a rule that barred access based solely on the status of the in-house counsel. Rather, the Federal Circuit determined that there are many factors that play into the decision whether to allow access to in-house counsel. These same factors should generally apply across the board in intellectual property litigation.

III. APPLICATION OF "COMPETITIVE DECISIONMAKING" IN INTELLECTUAL PROPERTY LITIGATION

U.S. Steel, *Akzo*, and *Matsushita Electric* did not specifically address the issue of in-house counsel access to confidential informa-

46. *Id.* (quoting *Matsushita Elec. Indus. Co. v. United States*, 746 F. Supp. 1103, 1106 (Ct. Int'l Trade 1990)) (emphasis added and citations omitted).

47. *Matsushita Electric*, 929 F.2d at 1580.

48. *Id.*

49. *Id.* (emphasis in original).

tion in the context of *inter partes* intellectual property litigation.⁵⁰ However, as discussed below, there have been a number of relatively recent decisions either explicitly or implicitly employing the competitive decisionmaking criterion of *U.S. Steel* to resolve the issue of in-house counsel access in the context of intellectual property litigation. This part addresses the reasoning behind decisions to grant or deny in-house counsel access to confidential information.

A. Cases Granting Access

Each of the following four cases⁵¹ granted in-house counsel access to confidential information during discovery. Importantly, each court proceeded on a case-by-case analysis based on some interpretation of the factors discussed above. The courts were entirely consistent in their concern for preventing the abuse of access to confidential information of the opposing party.

In *Safe Flight Instrument Corp. v. Sundstrand Data Control Inc.*,⁵² a patent infringement action, defendant Sundstrand sought a protective order, pursuant to FRCP 26(c)(7), denying Safe Flight's president (Mr. Greene) access to confidential materials produced by Sundstrand. Safe Flight argued that if the court precluded its president from access to Sundstrand's confidential materials produced during discovery, it should similarly preclude Sundstrand's in-house counsel from having similar access to Safe Flight's confidential information.⁵³ Safe Flight based its argument in favor of access on the skill and position of its president.

In denying access to Safe Flight's president, the district court initially disposed of Safe Flight's argument that Mr. Greene was "uniquely qualified" to assess Sundstrand's documents and that such access was necessary to enable him to "make an educated business decision as to whether to pursue this litigation."⁵⁴ The court found that there was a true likelihood that Sundstrand would suffer a competitive loss because "the parties competed directly in the same market."⁵⁵ The court also relied on Sundstrand's extensive research and development that went into the product and the years it took to develop it.⁵⁶ The court noted several factors that

50. *Akzo* did address the issue within the context of an ITC patent infringement investigation pursuant to 19 U.S.C. § 1337. *Akzo*, 808 F.2d at 1483.

51. *Safe Flight Instrument Corp. v. Sundstrand*, 682 F. Supp. 20 (D. Del. 1988); *Boehringer Ingelheim Pharmaceutical, Inc. v. Hercon Labs. Corp.*, 18 U.S.P.Q.2d 1166 (D. Del. 1990); *Glaxo Inc. v. Genpharm Pharmaceuticals, Inc.*, 796 F. Supp. 872 (E.D.N.C. 1992); *Carpenter Tech. Corp. v. Armco, Inc.*, 132 F.R.D. 24 (E.D. Pa. 1990).

52. 682 F. Supp. 20 (D. Del. 1988).

53. *Id.* at 21.

54. *Id.*

55. *Id.*

56. *Id.* at 22. The court observed that "the weight of judicial precedent does not favor Safe Flight's position." *Id.* It wrote: "Courts dress technical informa-

weighed against granting Mr. Greene access to Sundstrand's documents. First, the court questioned his "human ability" to avoid comingling what he learned from Sundstrand's documents from what he developed from his own ideas.⁵⁷ Second, it was speculative for Mr. Greene to assert he was "uniquely qualified," as Safe Flight failed to investigate the availability of qualified outside experts.⁵⁸ Third, although the denial of access might have hampered Safe Flight in its litigious efforts, Safe Flight could have nominated a non-technical corporate officer to evaluate the economic merits of the litigation in light of a review of the confidential documents.⁵⁹ The court therefore precluded Mr. Green from reviewing Sundstrand's confidential materials.⁶⁰

Safe Flight lost its second battle when the district court rejected Safe Flight's argument that it should likewise deny Sundstrand's in-house counsel access to Safe Flight's confidential information. The court found it important that:

Significant differences mark the comparison of research scientist and trial attorney. The defendant has represented to this Court that its in-house counsel involved in this litigation neither conduct scientific research nor prosecute patents. These attorneys simply do not face Mr. Greene's prospect of having to distill one's own thoughts from a competitor's thoughts during the course of future aeronautic work.⁶¹

The court also observed that Sundstrand would segregate the work of its in-house counsel "in such a way as to avoid the possibility of conscious or unconscious abuse of confidential information."⁶² The district court noted that Sundstrand's in-house counsel were "admitted to the Bar of this Court [and were] officers of the Court and [were] bound by the Code of Professional Responsibility."⁶³ Furthermore, the court said the Federal Circuit in *U.S. Steel* noted the importance of these professional obligations in rejecting a blanket ban on in-house counsel access to confidential discovery materi-

tion with a heavy cloak of judicial protection because of the threat of serious economic injury to the discloser of scientific information." *Id.*

57. *Safe Flight*, 682 F. Supp. at 22.

58. *Id.*

59. *Id.*

60. *Id.*; accord *Digital Equip. Corp. v. Micro Tech., Inc.*, 142 F.R.D. 488, 491-92 (D. Colo. 1992) (precluding disclosure of plaintiff's confidential materials to defendant's technical expert where expert engages in non-litigation consulting activities for defendant). But see *Minnesota Mining and Mfg. v. Smith and Nephew PLC*, 25 U.S.P.Q.2d 1587, 1587-89, 1592 (D. Minn. 1992) (affirming magistrate judge's ruling that plaintiff's in-house technical expert, who was also a co-inventor of the patents in suit, could review confidential technical information produced by defendant).

61. *Safe Flight*, 682 F. Supp. at 22.

62. *Id.* at 23 (quoting *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 219 U.S.P.Q. 37, 39 (D. Del. 1982)).

63. *Id.*

als.⁶⁴ Accordingly, the court granted Sundstrand's in-house trial counsel access to Safe Flight's confidential information.⁶⁵

Safe Flight also dismissed the argument that the Federal Circuit's decision in *Akzo* precluded access by Sundstrand's in-house counsel. The court wrote:

Akzo does not control the present litigation. First, the Federal Circuit's decision simply affirmed the International Trade Commission's protective order in light of the appellants' due process attack and did not craft a *per se* ban on divulgence of confidential materials to in-house counsel. Second, the International Trade Commission is especially conservative regarding the divulgence of confidential materials because it "is heavily dependent on the voluntary submission of information" by parties, a factor that does not enter our calculation.⁶⁶

Accordingly, the district court entered a protective order precluding Mr. Greene from reviewing Sundstrand's confidential documents, yet permitting Sundstrand's in-house trial counsel to review Safe Flight's confidential documents.⁶⁷

The issue of in-house counsel access to confidential information in the patent litigation context also arose in *Boehringer Ingelheim Pharmaceuticals, Inc. v. Hercon Laboratories Corp.*⁶⁸ In *Boehringer*, six of plaintiff's in-house counsel sought access to confidential information produced by defendant during discovery.⁶⁹ At the outset of its analysis, the district court cited *U.S. Steel* and noted that "[t]he status of in-house counsel is not viewed by this Court as warranting automatic exclusion from confidential information produced under a protective order."⁷⁰ Instead, the focus of the court's analysis was whether the parties could circumvent conscious or unconscious abuse of confidential information in the future.⁷¹ In its consideration of whether sufficient safeguards existed to protect against the abuse of confidential information, the court first determined whether the corporation could segregate the attorneys in question from the competitive decisionmaking aspects of their corporate employer.⁷² The court concluded:

64. *Id.* (citing *U.S. Steel*, 730 F.2d at 1465, and *A. Hirsch*, 657 F. Supp. at 1297).

65. *Id.* at 23.

66. *Safe Flight*, 682 F. Supp. at 23 (quoting *Akzo*, 808 F.2d at 1483).

67. *Id.*

68. 18 U.S.P.Q.2d 1166 (D. Del. 1990).

69. The group of attorneys included one of the patent attorneys who prosecuted the patent in suit. The patent in suit, U.S. Patent No. 4,201,211, identifies Edward Mandell as one of the attorneys of record in the prosecution of the patent before the U.S. Patent and Trademark Office. Mr. Mandell was also one of the six in-house counsel seeking access to Hercon's confidential information. *Id.* at 1167-68.

70. *Id.* at 1167. Thus, a court should consider each of these factors on a case-by-case basis. *See id.* at 1166.

71. *Id.* at 1167.

72. *Id.* at 1168.

[E]ach of these individuals is situated in such a way that if a future project were to present a conflict because of information that has been learned from discovery in this lawsuit, the conflicting assignment could be rerouted to another individual not possessing the conflicting information. *This capability on the part of each attorney to exclude himself or herself from conflicting work, avoids the possibility of conscious or unconscious abuse of confidential information.*⁷³

A second factor weighing in favor of access, according to the district court, was the "necessity" for the information, on the part of some of the six attorneys, who were already involved in the action and responsible for major decisions regarding the lawsuit.⁷⁴ Again, the court found the attorneys' ability to segregate themselves from other work was an important element in the access analysis:

The Court also finds it reasonable that an attorney who is already involved in this case be allowed to continue with such involvement subject to the understanding that exposure to confidential information in the present case may preclude work on other projects.⁷⁵

The third factor involved the professional responsibilities of the attorneys in question. In this case, the court gave credence to the Rules of Professional Responsibility which bind attorneys: "These obligations offer yet another protection against the abuse of confidential information by the attorneys in the present case."⁷⁶ The court also noted that in-house counsel are bound by the Rules of Professional Responsibility and subject to sanctions just like outside counsel.⁷⁷ After citing *Safe Flight* for the proposition that there must be a balance between "the goals of full disclosure of relevant information and reasonable protection against economic injury," the *Boehringer* court granted access to all six of plaintiff's in-house counsel.⁷⁸

In *Carpenter Technology Corp. v. Armco, Inc.*,⁷⁹ which involved a settlement agreement reached in a patent validity action, the plaintiff sought access for its "Senior Staff Attorney" (Mr. Pretz)

73. *Boehringer*, 18 U.S.P.Q. at 1168 (emphasis added).

74. *Id.*

75. *Id.*

76. *Id.* (quoting *U.S. Steel*, 730 F.2d at 1468).

77. *Id.* The court further noted: "The pressures on retained counsel and the risks of disclosure of confidential information, purposeful or inadvertent, by retained counsel are the same as that of in-house counsel. 'The problem and importance of avoiding inadvertent disclosure is the same for both.'" *Id.*

78. *Boehringer*, 18 U.S.P.Q.2d at 1168 (quoting *Safe Flight*, 682 F. Supp. at 23). However, in *Boehringer*, the court also held that in-house technical personnel should not have access to confidential discovery materials because, inter alia, "[u]nlike the in-house counsel the technical personnel 'face. . . [the] prospect of having to distill [their] own thoughts from a competitor's thoughts during the course of future . . . [research].'" *Id.* at 1168 (quoting *Safe Flight*, 682 F. Supp. at 22). *But see* *Minnesota Mining and Mfg. v. Smith and Nephew PLC*, 25 U.S.P.Q.2d 1587, 1587-89, 1592 (D. Minn. 1992) (holding that an in-house technical expert could review the defendant's confidential technical material).

79. 132 F.R.D. 24 (E.D. Pa. 1990).

and its "Director of Law" (Mr. Welty) to defendant's confidential information produced during discovery. The district court recognized that both plaintiff and defendant had legitimate concerns regarding in-house counsel access to confidential discovery materials.⁸⁰ After reviewing the relevant case law, the court concluded:

[A] decision of this magnitude should turn on the in-house counsel's involvement in "competitive decision making" which 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 client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor."⁸¹

The court then turned to an analysis of the affidavits of Messrs. Pretz and Welty, which the plaintiff submitted in support of its motion for a protective order granting access for these attorneys.⁸² Mr. Pretz's affidavit established that, as a Senior Staff Attorney, he provided plaintiff with advice on general legal and corporate matters, and had no involvement in scientific research.⁸³ He was neither a member of plaintiff's board of directors nor an officer of the corporation.⁸⁴ He also was unrelated, by blood or marriage, to any of plaintiff's officers or employees.⁸⁵ The court concluded that Mr. Pretz did not participate in plaintiff's competitive decisionmaking.⁸⁶ The court reasoned that since Mr. Pretz was not involved in pricing, marketing, product design or development, the risk of inadvertent disclosure or use of defendant's confidential information was small.⁸⁷ The court found that "[g]iven the technical nature of this case, the advice of in-house counsel with specialized knowledge of the steel industry could be essential to the proper handling of this litigation by outside counsel."⁸⁸ The court, therefore, granted access to defendant's confidential information, conditioned upon his being admitted to practice before the court, so that "he will be

80. See *id.* at 26-27 (citing, inter alia, *Akzo*, 808 F.2d 1471; *U.S. Steel*, 730 F.2d 1465; *Safe Flight*, 682 F. Supp. 20; *A. Hirsh*, 657 F. Supp. 1297).

81. *Id.* at 27 (quoting *U.S. Steel*, 730 F.2d at 1463 n.3).

82. Pursuant to Fed. R. Civ. P. 26(c), plaintiff submitted the affidavits of Messrs. Pretz and Welty with plaintiff's reply memorandum in support of its protective order motion. *Id.*

83. *Id.*

84. *Carpenter*, 132 F.R.D. at 27.

85. Moreover, his affidavit provided: "I have absolutely no involvement in decisions regarding pricing of products or services sold by Carpenter, nor do I participate in marketing decisions. I also have absolutely no involvement in decisions made by Carpenter regarding product design or production." *Id.* at 27-28.

86. *Id.* at 27.

87. *Id.*

88. *Id.* at 28; cf. *Brittain v. Stroh Brewery Co.*, 136 F.R.D. 408, 411, 416 (M.D.N.C. 1991) (ordering, inter alia, that plaintiffs produce tax returns to defendants' in-house counsel and that defendants produce sensitive financial information to certain plaintiffs having the ability to be of "special assistance" to plaintiffs' counsel).

bound by the rules of professional conduct to honor the terms of the protective order.”⁸⁹ The court also instructed plaintiff to “make every effort to avoid placing [Mr.] Pretz in a situation which could jeopardize his ability to comply with the terms of the protective order.”⁹⁰

The two attorneys’ affidavits were not identical. Mr. Welty’s affidavit established that, as plaintiff’s Director of Law, he was a corporate officer, but not a member of the board of directors.⁹¹ He also had no family ties, by blood or marriage, to any employee or officer of plaintiff.⁹² Mr. Welty had no involvement in scientific research, but had “authority to initiate and settle litigation as well as execute written contracts and agreements on behalf of the corporation.”⁹³ However, in contrast to Mr. Pretz, Mr. Welty’s affidavit also provided:

I have no *direct* responsibility or authority regarding competitive decisions. Specifically, I have no *direct* responsibility or authority over decisions regarding the pricing of products or services sold by Carpenter. Nor do I have *direct* responsibility or authority over decisions regarding product design or production.⁹⁴

The district court refused Mr. Welty’s access to defendant’s confidential information because the affidavit was inconclusive as to what “*non-direct* responsibility or authority [Mr.] Welty had over competitive decisions.”⁹⁵ The court concluded:

From the affidavit, I must assume that Welty does have some involvement, albeit probably small, with competitive decisions. If he has no such involvement, then I can only assume that his affidavit would have been drafted in a vein similar to that of Pretz. . . . Also, unlike Pretz, Welty does occupy the position of an officer with the corporation. Finally, Welty is apparently involved in contract negotiations which could involve competitive decision making.⁹⁶

The *Carpenter* decision involved a few other factors. The court found that plaintiff failed to adequately explain why Messrs. Welty and Pretz required access to defendants’ confidential information.⁹⁷ Indeed, the court concluded that by permitting Mr. Pretz such access, Pretz would “be able to advise outside counsel concerning technical matters and guide counsel throughout the course of this litigation.”⁹⁸ The court believed Mr. Pretz would also be able to advise Mr. Welty (who had the authority to settle litigation) with-

89. *Carpenter*, 132 F.R.D. at 28.

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*

94. *Carpenter*, 132 F.R.D. at 28 (emphasis in original).

95. *Id.* (emphasis in original).

96. *Id.* (emphasis in original).

97. *Id.*

98. *Id.*

out divulging defendant's confidential information.⁹⁹ Accordingly, although the court permitted Mr. Pretz to have access to defendant's confidential information, it denied similar access to Mr. Welty.¹⁰⁰

Even more recently, in *Glaxo Inc. v. Genpharm Pharmaceuticals, Inc.*,¹⁰¹ the defendant in a patent infringement action sought to exclude plaintiff's in-house patent counsel (Mr. Conte) access to defendant's confidential discovery materials. The magistrate judge held that the risk of improper use of these materials outweighed plaintiff's need for Mr. Conte's participation.¹⁰² More particularly, the magistrate judge based his decision on three factors: (1) Mr. Conte was a "high level Glaxo employee" and a "substantial investor" in the corporation; (2) three law firms represented Glaxo as outside counsel and thus, its interests were adequately represented without Mr. Conte; and (3) defendant had no in-house counsel.¹⁰³ However, the district court reversed the magistrate judge, and granted Mr. Conte the access sought.¹⁰⁴ Citing *U.S. Steel and Matsushita Electric*, the court found that Mr. Conte did not participate in plaintiff's competitive decisionmaking.¹⁰⁵ More particularly, the court noted:

In the present case, Mr. Conte, a member of three different bars who has been an in-house patent counsel for over 28 years, attests in two uncontroverted affidavits that he has no involvement in and gives no advice to Glaxo about competitive decisions such as pricing, scientific research, sales or marketing. In addition, he states that he will no longer participate in any matter concerning ranitidine hydrochloride, [the subject matter of the patent in suit], except for this case or other lawsuits involving the validity or enforcement of Glaxo's ranitidine hydrochloride patents.¹⁰⁶

Competitive decisionmaking, therefore, embraces several features. A practitioner must look beyond mere titles and status of the individual. Competitive decisionmaking may include both direct and indirect involvement by in-house counsel. It also requires some sort of involvement in very specific corporate decisions. Clearly, the function of an attorney is more important than his or her title within the corporate structure.

99. *Carpenter*, 132 F.R.D. at 28-29. The court added: "[S]hould Carpenter determine in the future that [Mr.] Welty must have access to certain information for some limited purpose, Carpenter could seek the consent of the parties to such access or as a last resort, seek court approval for such access." *Id.* at 29.

100. *Id.*

101. 796 F. Supp. 872 (E.D.N.C. 1992).

102. *Id.* at 873-74.

103. *Id.* at 874.

104. *Id.*

105. *Id.*

106. *Glaxo*, 796 F. Supp. at 874.

B. Cases Denying Access

In *Allegheny Ludlum Corp. v. Nippon Steel Corp.*,¹⁰⁷ the plaintiff in a patent infringement action sought to amend an existing protective order which excluded in-house counsel access to confidential material. The plaintiff sought the access for two of its in-house attorneys who served as its General Counsel and Director of Patents.¹⁰⁸ The district court found that since the General Counsel was a corporate officer, and the Director of Patents was a patent attorney, a risk of inadvertent disclosure existed, as both attorneys "work with technical matters regarding patent litigation."¹⁰⁹ As authority for holding that there was a risk of harmful disclosure, the *Allegheny* court relied in part upon its prior holding in *Mixing Equipment Co. v. Innova-Tech, Inc.*¹¹⁰ In addition, the *Allegheny* court distinguished *Safe Flight* because in *Allegheny* the plaintiff was unable to claim it could arrange its in-house counsel's work and projects to avoid the possibility of conscious or unconscious abuse of confidential information.¹¹¹ The court found there was no adequate remedy for the defendant if the plaintiff misused the confidential information.¹¹² Therefore, the court was unwilling to take the risk resulting from its allowance of access without proper assurances.¹¹³ Of other importance in *Allegheny* was the plaintiff's attempt to modify a stipulated protective order.¹¹⁴ This required a higher standard of proof.¹¹⁵ Modification of a stipulated protective order results in a higher standard of proof because the parties have already agreed on the possibility of prejudice.¹¹⁶ Therefore, the party requesting the modification of a stipulated protective order must prove that the intervening circumstances have eliminated any prej-

107. No. 89-5940, 1990 U.S. Dist. LEXIS 867 (E.D. Pa. Jan. 25, 1990).

108. *Id.* at *2.

109. *Id.* at *6-7.

110. *Id.* at *4. In *Mixing Equip. Co. v. Innova-Tech, Inc.*, Civ. A. No. 85-0535, 1986 WL 9264 (E.D. Pa. Aug. 20, 1986), the parties in a patent infringement action entered into a stipulated protective order. Plaintiff later sought access for its in-house patent counsel for plaintiff's parent corporation. *Id.* The court denied access, stating:

[In-house counsel] is General Signal's counsel to ten subsidiaries of General Signal Corporation including [the plaintiff]. In view of this, any designation of [in-house counsel] as in-house counsel under the protective order creates both a risk of an appearance of impropriety and a potential danger for unauthorized disclosure of confidential information in [in-house counsel's] capacity as patent attorney for the parent and the other nine General Signal subsidiaries.

Id. at 2.

111. *Allegheny*, No. 89-5940 at *10-11.

112. *Id.* at *9-11 (citing *Akzo*, 808 F.2d 1471, and *Hirsh*, 657 F. Supp. 1297).

113. *Id.* However, as defendants did not object to having plaintiff's attorneys qualified for access to confidential material under existing provisions of the protective order, the court permitted such qualification. *Id.* at *11-12.

114. *Id.* at *3-4.

115. *Id.*

116. *Id.* at *4.

udice.¹¹⁷ Furthermore, courts do not want to undercut the finality of stipulated protective orders. Thus, if a party seeks in-house counsel access, this desire should explicitly appear in any stipulated protective order.¹¹⁸ If not, it may be difficult to convince a court to modify such an order in the future.

In another patent infringement action, *Amsted Industries, Inc. v. National Castings, Inc.*,¹¹⁹ the parties were direct competitors.¹²⁰ Plaintiff sought access to defendant's confidential information for, inter alia, "one in-house counsel of each party."¹²¹ The district court initially observed that "[i]t often has been recognized, particularly in intellectual property cases, that the need for disclosure of even highly relevant information to a competitor may be outweighed by the irreparable harm that can result to the disclosing party."¹²² The court balanced "the defendant's legitimate interest in maintaining the confidentiality of its proprietary information" against "plaintiff's legitimate interest in gathering and analyzing evidence to support its lawsuit."¹²³ The court then found that the danger of competitive harm to the defendant, which might result from the access the plaintiff sought, outweighed the benefit to the plaintiff from the additional assistance of its own employees.¹²⁴ Accordingly, the court denied plaintiff's in-house counsel access to defendant's confidential information.¹²⁵ The court observed that "the parties may be able to agree on disclosure to in-house counsel subject to certain restrictions, and the Court will entertain an appropriate motion in this respect if it becomes necessary."¹²⁶

In yet another patent infringement action, *PPG Industries Inc. v. Libbey-Owens-Ford Co.*,¹²⁷ the plaintiff (PPG) sought access to defendant's confidential information for its inside patent counsel. The defendant refused such access.¹²⁸ Relying, in part, on *U.S. Steel*, PPG moved for a protective order under Federal Rule of Civil

117. *Allegheny*, No. 89-5940 at *4.

118. *Id.* at *3-4.

119. No. 88-C924, 1988 U.S. Dist. LEXIS 9413 (N.D. Ill. Aug. 19, 1988).

120. *Id.* at *1.

121. *Id.* Plaintiff also sought such access for "one employee of each party who can advise counsel of record on technical matters" and "one employee of each party who can advise counsel of record on accounting and financial matters." *Id.*

122. *Id.* at *2 (citing *American Standard, Inc. v. Pfizer Inc.*, 828 F.2d 734, 741 (Fed. Cir. 1987)).

123. *Id.* at *3.

124. *Amsted Indus.*, No. 88-C924, at *4.

125. *Id.* at *4 n.1 (citing *Exxon*, 636 F.2d at 1350). Access for plaintiff's other employees was also denied, as the court concluded that "plaintiff's counsel should be able to gain the technical advice it needs from outside experts (to whom the parties agree disclosure may be made)." *Id.* at *3.

126. *Id.* at *4 (citing *Safe Flight*, 682 F. Supp. at 22).

127. C.A. 90-C-6067, 1991 WL 159133, at *1 (N.D. Ill. June 4, 1991).

128. *Id.*

Procedure 26(c) to compel such access.¹²⁹ However, the magistrate judge relied, instead, upon *Amsted Industries* and refused to permit access to defendant's confidential information.¹³⁰ The judge was unable to find adequate assurances that in-house counsel in a position where his future responsibilities would endanger the confidentiality of the information.¹³¹ When the district court ratified the magistrate judge's findings,¹³² PPG filed a petition, pursuant to 28 U.S.C. § 1651,¹³³ to the Federal Circuit for a writ of mandamus directing the district court to certify Mr. Levin as "Qualified Counsel" having access to defendant's confidential information under the protective order.¹³⁴ PPG argued that its in-house counsel's primary responsibilities were to "actively participate in the conduct of all patent infringement litigation and make the major decisions respecting its conduct and resolution."¹³⁵ Moreover, PPG stated: "Because it is PPG's intent that the person occupying the position of Associate Corporate Patent Counsel be fully involved in all patent infringement litigation, Mr. Levin has been isolated from any business or technical decision making responsibilities or authority."¹³⁶ Essentially, PPG's in-house counsel did not serve a dual purpose, or

129. *Id.*

130. *See id.* at *2 (quoting the magistrate's April 9, 1991 observations).

131. *Id.* The court observed:

[A]s a general matter, it is preferable to restrict access to highly confidential competitive and trade secret information to outside counsel and experts. Regardless of an occasional statement of some courts to the contrary, house counsel are subject to pressures different from those which outside counsel face, if only that their own economic well-being is inextricably bound up with their employer's. Moreover, house counsel frequently interact with their non-lawyer corporate peers and superiors in settings outside the litigation context where their sensitivity to their separate roles may be relaxed and their opinions on non-litigation matters solicited. And, while it may appear that [in-house counsel's] current responsibilities do not involve him in situations where the information to which he is exposed in this lawsuit might be relevant to other responsibilities, his position has been different in the past and may be different in the future.

Id.

132. 1991 WL 159133, at *2.

133. Section 1651 provides: "The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law." 28 U.S.C. § 1651(a) (1949).

134. *See* PPG's Petition for Writ of Mandamus at 17, *In re PPG Indus., Inc.*, CA 90-C-6067, Misc. No. 308 (Fed. Cir. 1991) [hereinafter "PPG Petition"]. The American Corporate Counsel Association filed an amicus curiae brief in support of PPG's Petition. Response of Amicus Curiae American Corporate Counsel Association in Support of Petitioner, *In re PPG Indus., Inc.*, CA 90-C-6067, Misc. No. 308 (Fed. Cir. 1991) [hereinafter "Amicus Brief"].

135. PPG Petition, *supra* note 131, at 4-5.

136. *Id.* Mr. Levin was not involved with patent filings or prosecution and he distanced himself from research and development and management when technical or business decisions were at issue. *Id.* His only interaction was to "report on the status of litigation in a manner (as is the case with outside counsel) consistent with his obligations under any Protective Order." *Id.*

a "two-hat function," for the corporation.¹³⁷ These dual purpose in-house attorneys may often find themselves precluded from access to a competitor's confidential information. PPG cited *U.S. Steel*, *Matsushita Electric*, *Safe Flight*, and *Boehringer* when it argued that Mr. Levin's "disqualification" from access to defendant's confidential information by the district court was erroneous as a matter of law and an abuse of discretion.¹³⁸ PPG argued that the district court applied a *per se* ban on Mr. Levin's access to confidential information based solely upon his status as in-house counsel.¹³⁹

The Federal Circuit denied PPG's petition. At the outset of its decision, the Federal Circuit observed that both the district court and the magistrate judge were in "apparent conflict" with *U.S. Steel* and *Matsushita Electric*.¹⁴⁰ However, the Federal Circuit decided not to address the issue because it lacked the authority to review the district court's ruling.¹⁴¹ Basically, PPG failed to show "that the situation was so 'extraordinary' as to justify the [Federal Circuit's] intervention" prior to appeal after final judgment.¹⁴²

It is usually insufficient to make bare allegations that in-house counsel access is necessary to enable such counsel to participate in the lawsuit. For example, in another patent infringement action, *Al-Site Corp. v. Opti-Ray, Inc.*,¹⁴³ defendant sought in-house counsel access to the confidential information produced under the protective order governing the case. The only reason proffered by defendant for such access was that it was necessary for defendant's "meaningful" participation regarding settlement.¹⁴⁴ The district

137. *Id.* Mr. Levin's sole role is to help prepare and conduct lawsuits and to determine whether to license or otherwise avoid or settle litigation. *Id.*

138. *Id.* at 5.

139. *Id.* at 7-9. The ACCA's amicus brief characterized the PPG district court's decision as "simply an anachronism" in view of *U.S. Steel*. See Amicus Brief, *supra* note 134, at 6-7. Instead of arguing that Mr. Levin was entitled to access, the ACCA claimed that the district court applied an "inappropriate standard" in determining the scope of access. *Id.* at 2 n.2. In addition, the ACCA noted that a court should consider the following factors:

1. Does counsel have a non-legal role with the client? If counsel has a non-legal role, does the confidential information at issue relate to the non-legal role?

2. Does counsel maintain independent files and records? If not, is it feasible to implement such a system to safeguard confidential materials?

3. Is the client represented by both employed and retained counsel? If so, which attorneys are best suited, by specialty and function, to review and analyze the confidential information at issue?

Id. at 9. The ACCA also proposed that the above criteria apply to all counsel, whether in-house or outside counsel. *Id.* at 10.

140. *In re PPG Indus., Inc.*, Misc. Docket No. 308 at *2 (Fed. Cir. Aug. 2, 1991).

141. *Id.* at *3.

142. *In re PPG Indus., Inc.*, Misc. Docket No. at *2-3 (citing *Will v. United States*, 389 U.S. 90, 96 (1967), and *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 34 (1980)).

143. No. CV-91-1770, 1992 U.S. Dist. LEXIS 13454 (E.D.N.Y. May 26, 1992).

144. *Id.* at *1-2.

court denied access, noting: (1) settlement did not appear viable at the time; and (2) granting access to defendant's in-house counsel "might place plaintiffs at a disadvantage with their competitor."¹⁴⁵ This decision illustrates an apparent reliance, at least in part, on the rationale of "competitive decisionmaking" and the risk of inadvertent disclosure set forth in *U.S. Steel* and its progeny.¹⁴⁶

A recent Ninth Circuit decision, *Brown Bag Software v. Symantec Corp.*,¹⁴⁷ illustrates that the issue of in-house counsel access to confidential materials may also arise in a copyright or trade secret action. In *Brown Bag*, the plaintiff sued defendant for copyright infringement and various state law claims related to computer software.¹⁴⁸ The parties agreed that certain source codes and other information produced in discovery by defendant were trade secrets, under Federal Rule of Civil Procedure 26(c), and thus, they initially stipulated that they would restrict access to such information to outside counsel "eyes only."¹⁴⁹ Plaintiff later sought direct access to this information for its in-house counsel.

The district court permitted plaintiffs access to defendant's confidential information only through an "outside consultant."¹⁵⁰ The magistrate judge stated that, if the outside consultant determined in-house counsel access was necessary as to specific materials, the court would consider an item by item request for those materials deemed necessary.¹⁵¹ Thus, the court did not totally preclude the possibility of in-house counsel access to confidential materials.¹⁵² Nevertheless, the plaintiff appealed the district court's restrictions on in-house counsel access.

At the outset of its analysis, the Ninth Circuit noted that it balances "the risk to [defendant] of inadvertent disclosure of [its]

145. *Id.* at *2.

146. See *U.S. Steel*, 730 F.2d at 1468 n.3 (using the "competitive decision-making" test in determining whether in-house counsel should have access). But see *Pfeiffer v. K-Mart Corp.*, 106 F.R.D. 235 (S.D. Fla. 1985). In *Pfeiffer*, the defendants, pursuant to Fed. R. Civ. P. 26(c), moved for a protective order to prevent disclosure to plaintiff of certain technical information deemed by defendants to be "commercial, trade secret and confidential." *Id.* at 236. Although the information sought embodied the defendant's trade secret, proprietary and commercially sensitive information, "since such 'confidential information' is undoubtedly relevant to this case, this information must be disclosed to plaintiff, with certain restrictions imposed, in order that the parties may fully litigate their claims." *Id.* Accordingly, the district court entered a protective order which provided, inter alia, that such confidential information was to be accessible to "Qualified Persons" as defined in the order, including "in-house counsel for the parties engaged in preparing this action for trial and their legal staff." *Id.* at 236-37.

147. 960 F.2d 1465 (9th Cir.), cert. denied, 113 S. Ct. 198 (1992).

148. *Id.* at 1469.

149. *Id.*

150. *Id.*

151. *Id.*

152. *Brown Bag*, 960 F.2d at 1469.

trade secrets to competitors against the risk to [plaintiff] that protection of [defendant's] trade secrets impaired prosecution of plaintiff's claims."¹⁵³ The Ninth Circuit cited *U.S. Steel* as "the leading authority on protective orders distinguishing between outside and in-house counsel,"¹⁵⁴ and also observed:

[P]roper review of protective orders in cases such as this requires the district court to examine factually all the risks and safeguards surrounding inadvertent disclosure by *any* counsel, whether in-house or retained. Further, the nature of the claims and of a party's opportunity to develop its case through alternative discovery procedures factors into decisions on the propriety of such protective orders.¹⁵⁵

Upon review of the details of the magistrate judge's evidentiary hearing, the Ninth Circuit noted that the plaintiff "did not dispute the dangers inadvertent disclosure posed to defendant."¹⁵⁶ Instead, the plaintiff sought to assure the court that in-house counsel's "professional integrity" and "his promise to store the confidential material in a locked file cabinet" outweighed such dangers.¹⁵⁷ Additionally, the magistrate judge focused on the fact that the plaintiff's in-house counsel served as the plaintiff's only legal advisor and personnel manager.¹⁵⁸ Furthermore, since the plaintiff hired its in-house counsel only a few weeks prior to the hearing, the attorney had little or no knowledge of the duties of fellow employees.¹⁵⁹ The in-house counsel also acknowledged that he was responsible for advising plaintiff "on a gamut of legal issues, including contracts, marketing and employment."¹⁶⁰ Since the plaintiff's in-house counsel participated in "competitive decisionmaking," the magistrate judge denied access in accordance with *U.S. Steel*.¹⁶¹ The Ninth Circuit held that the district court did not abuse its discretion in issuing the protective order denying plaintiff's in-house counsel access to defendant's confidential information, other than as specified.¹⁶²

These cases denying access to in-house counsel illustrate a judicial concern that a lack of present involvement in competitive

153. *Id.* at 1470.

154. *Id.* (also citing *Matsushita Elec. Indus. v. United States*, 929 F.2d 1577, 1579 (Fed. Cir. 1991)).

155. *Id.* at 1470 (emphasis in original).

156. *Id.* at 1471.

157. *Brown Bag*, 960 F.2d at 1471.

158. *Id.*

159. *Id.*

160. *Id.*

161. *Id.* In addition, the magistrate judge found that the existing protective order did not significantly impair plaintiff's ability to prosecute its claims, as plaintiff's outside counsel already had over six months to study defendant's confidential information, "had ample time to develop any admissible evidence" before the court-ordered deadline for discovery had passed, and could utilize the provisions of the existing protective order to seek access to essential documents.

Id.

162. *Brown Bag*, 960 F.2d at 1470-71.

decisionmaking may be insufficient to support access to confidential information. Courts seek some sort of additional assurance that the corporation will not place the in-house counsel in a situation, at some future time, which may jeopardize the confidentiality of the information. In addition, some courts have taken the view that arguments of necessity are insufficient unless there are compelling circumstances that warrant access to the information.

IV. ANALYSIS

As the foregoing cases demonstrate, whether a court permits in-house counsel access to another party's confidential discovery materials is a highly fact-specific determination. Such a determination must take account of the Federal Circuit's mandate in *U.S. Steel* that the test for whether in-house counsel access is proper depends upon whether such access will present "an unacceptable opportunity for inadvertent disclosure" of confidential discovery materials.¹⁶³ As observed by the Federal Circuit in *U.S. Steel* and in *Matsushita Electric*, the risk of inadvertent disclosure depends primarily on the extent to which in-house counsel participate in the competitive decisionmaking of their corporate employer.¹⁶⁴ Although the determination of the risk of inadvertent disclosure and the extent of participation in "competitive decisionmaking" requires a detailed review of the specific facts relating to particular in-house counsel activities in a given case, a close review of the existing case law reveals several prominent factors which practitioners must address in evaluating the likelihood of a court's grant or denial of such access.

First, this section analyzes the effect of in-house counsel's title and position, including any personal relationship with the corporation or its officers which may lead to a conflict of interest. Second, it examines the status of in-house patent counsel who play an integral role in product design and other respects of the corporation's business. Third, this section discusses the effect of in-house counsel affidavits and how their drafting may result in either a grant or denial of access. Fourth, it considers how the complexity of the litigation and the need for in-house counsel's specialized knowledge factor into the entire analysis.

A. Status As Corporate Officer, Director or Shareholder

Matsushita Electric made it clear that the mere showing that in-house counsel has regular contact with corporate officials involved in policymaking or corporate decisionmaking is insufficient

163. *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984).

164. *See id.* at 1468 n.3; *see also Matsushita Elec. Indus. v. United States*, 929 F.2d 1577, 1580 (Fed. Cir. 1991).

to establish that a court should preclude in-house counsel access to confidential discovery materials.¹⁶⁵ Indeed, the party seeking to preclude access must show that in-house counsel actually advises and participates in corporate competitive decisionmaking for such preclusion to be proper.¹⁶⁶

Though not dispositive, courts often consider the title or position of a particular in-house counsel when evaluating whether in-house counsel actually advises and participates in competitive decisionmaking. For example, in *Matsushita Electric* in-house counsel was a corporate officer having the titles of "General Counsel," "Senior Vice President" and "Secretary" of the corporation.¹⁶⁷ Nevertheless, the court permitted in-house counsel access because the record established that, despite these titles, in-house counsel's activities were primarily legal in nature.¹⁶⁸ Therefore in-house counsel "was sufficiently insulated from competitive decisionmaking. . . ."¹⁶⁹ Similarly, in *Glaxo Inc. v. Genpharm Pharmaceuti-cals*, although in-house counsel was a "high level employee" and "substantial investor" in Glaxo, the court granted in-house counsel access.¹⁷⁰

In contrast, in *Allegheny Ludlum Corp. v. Nippon Steel Corp.*, the court denied two in-house counsel having titles of "General Counsel" and "Director of Patents," respectively, access to confidential discovery materials.¹⁷¹ The *Allegheny* court found that a risk of inadvertent disclosure existed, in part, because the General Counsel was a corporate officer.¹⁷² In addition, in *Carpenter Technology Corp. v. Armco, Inc.*, an in-house "Senior Staff Attorney" who was neither a corporate officer nor a member of the corporation's board of directors received access to confidential discovery materials.¹⁷³ However, the court denied access to the in-house "Director of Law," who was a corporate officer, but not a director, of the corporation.¹⁷⁴ Unlike the "Senior Staff Attorney," the "Director of Law" had the authority to, inter alia, settle litigation.¹⁷⁵

Thus, although in-house counsel status as a corporate officer, director or shareholder alone will not automatically thwart access to confidential discovery materials, such status does raise the level of scrutiny which a court is likely to employ in evaluating whether

165. *Matsushita Electric*, 929 F.2d at 1580.

166. *Id.* at 1579-80.

167. *Id.* at 1580.

168. *Id.*

169. *Id.*

170. 796 F. Supp. 872, 874 (E.D.N.C. 1992).

171. No. 89-5940, 1990 U.S. Dist. LEXIS 867, at *5 (E.D. Pa. Jan. 25, 1990).

172. *Id.* at *6-7.

173. 132 F.R.D. 24, 28 (E.D. Pa. 1990).

174. *Id.*

175. *Id.* at 28-29.

in-house counsel actually advises and participates in corporate competitive decisionmaking. This generally seems prudent, as the likelihood is greater that in-house counsel serving as a corporate officer or director will participate in the corporation's competitive decisionmaking. However, shareholder status alone should not raise the level of scrutiny applied by the court, given the usual lack of involvement by shareholders in corporate decisionmaking.

Similarly, in the case of small or closely-held corporations, the extent of in-house counsel's personal relationship to the corporation and its officers will also bear on the determination of whether in-house counsel participates in competitive decisionmaking. For example, in *A. Hirsh v. United States*, the in-house counsel denied access to confidential materials was both a corporate officer and a member of the Hirsh family.¹⁷⁶ The court relied heavily upon these factors in determining that the in-house counsel was not sufficiently isolated from the policymaking elements of the corporation, and therefore, could not have access to such materials.¹⁷⁷

In view of the foregoing, it seems clear that the greater the likelihood of conflict between in-house counsel's duty to the corporate entity and ability to segregate confidential discovery materials from the corporation, the less likely it is that a court will grant access. This general proposition is consistent with the manner in which courts handle in-house counsel representation in other contexts, such as in shareholder derivative litigation. For example, in *In re Oracle Securities Litigation*,¹⁷⁸ in-house general counsel played a significant role in reaching a settlement agreement to resolve a shareholder derivative suit brought against some of the corporation's senior executive officers and directors. The district court disapproved of the settlement, in part because it found that Oracle's in-house general counsel had an inherent conflict of interest between representation of the corporation and its individual directors and officers.¹⁷⁹ In the *Oracle* court's view, "[r]epresentation of the corporation's interests by in-house counsel does not ameliorate this conflict, for in-house attorneys are inevitably subservient to the interests of the defendant directors and officers whom they serve."¹⁸⁰

Taken to its logical conclusion, *Oracle* appears to come close to the *per se* rejection of in-house counsel independence that the Federal Circuit repudiated in *U.S. Steel* and *Matsushita Electric*. Yet,

176. 657 F. Supp. 1297, 1303 (Ct. Int'l Trade 1987).

177. *Id.*; see *Carpenter*, 132 F.R.D. at 27-28 (noting that both in-house counsel particularly noted in their affidavits that they were unrelated, by blood or marriage, to any of the corporation's officers or employees).

178. 829 F. Supp. 1176 (N.D. Cal. 1993).

179. *Id.* at 1189-90.

180. *Id.* at 1188 (citation omitted). For additional comments on *Oracle* and other in-house counsel issues, see generally Daniel S. Hapke, Jr., *Equal Status Is Still In-House Goal*, NAT'L L.J., Nov. 15, 1993, at S10.

one may reconcile the *Oracle* view of in-house counsel with *U.S. Steel* and its progeny. The disclosure of confidential discovery materials to in-house counsel presumes a suitable protective order entered into by the parties and approved by the court. While there may be tension between in-house counsel's dual loyalties to the corporate entity and individuals who are part of management or the board of directors, there is no basis for presuming that in-house counsel will violate a protective order of the court. Indeed, cases such as *U.S. Steel* and *Boehringer* presume exactly the opposite.

B. Status As Patent Counsel

In *U.S. Steel* and *Matsushita Electric*, the Federal Circuit explicitly rejected any *per se* rule that in-house counsel status alone prevents access to confidential discovery materials.¹⁸¹ Indeed, the Federal Circuit's recognition of the professionalism of in-house counsel is consistent, albeit in a different context, with the U.S. Supreme Court's earlier decision in *Upjohn Co. v. United States*.¹⁸² In *Upjohn*, the Supreme Court established that the attorney-client privilege applies to communications between in-house counsel and other corporate employees regarding legal matters.¹⁸³

However, *U.S. Steel* also specifically identified "product design" as one of the areas of corporate affairs which was likely to involve in-house counsel in "competitive decisionmaking."¹⁸⁴ This is of particular concern and importance to in-house patent counsel who seek such access, as they often take part to some extent in "product design" in the course of their activities. This participation may involve interacting with inventors, analyzing others' patents, as well as providing legal advice on patent validity and infringement issues, and in the course of patent-related licensing or other contractual matters.

C. Weight of the Factors

Safe Flight, *Carpenter*, *Boehringer* and *Glaxo* highlight the tensions inherent in evaluating the relative weight of the factors a court considers in its analysis of a particular in-house counsel's involvement in competitive decisionmaking. For example, in *Safe Flight*, the court allowed access, at least in part, because in-house

181. *U.S. Steel*, 730 F.2d at 1468; *Matsushita Electric*, 929 F.2d at 1580.

182. 449 U.S. 383 (1981).

183. *Id.* at 395-97; see also *United States v. Aronson*, 610 F. Supp. 217, 220-21 n.1 (S.D. Fla. 1985) (noting that *Upjohn* authorizes the invocation of attorney-client privilege in a corporate context), *aff'd*, 781 F.2d 1580 (11th Cir. 1986); *Valente v. Pepsico, Inc.*, 68 F.R.D. 361, 367 (D. Del. 1975) (ruling that, when in-house counsel acts as an attorney, the confidences revealed by the counsel's corporate client in the process of communication are treated in the same manner as those to any other attorney).

184. *U.S. Steel*, 730 F.2d at 1468 n.3.

counsel neither conducted scientific research nor prosecuted patents.¹⁸⁵ Similarly, in *Carpenter*, the court permitted one in-house counsel access because, inter alia, he was not involved in the technical aspects (e.g. product design and development) of his employer.¹⁸⁶ Yet the court also reasoned that, given the "technical nature" of the case, in-house counsel's "specialized knowledge of the steel industry" also favored his access to defendant's confidential information.¹⁸⁷

In contrast, the *Boehringer* court found in favor of access for six in-house attorneys, in part because of the "necessity" of the attorneys' involvement in the litigation.¹⁸⁸ Yet at least some of the attorneys granted access were patent attorneys with specialized technical knowledge, including one of the attorneys who prosecuted the patent in suit.¹⁸⁹ Similarly, in *Glaxo*, in-house patent counsel received access, although the court specifically noted that the patent counsel in question was not involved in scientific research.¹⁹⁰ Thus, despite the *Safe Flight*'s implication that in-house patent counsel should not have access to confidential materials, *Boehringer* and *Glaxo* make it clear that status as in-house patent counsel cannot *per se* preclude such access. However, as illustrated in *Allegheny*, courts have looked closely at the particular duties of a patent counsel to determine whether that attorney engages in competitive decisionmaking and whether the risk of inadvertent disclosure mandates preclusion of access to confidential materials produced during discovery.

A court may ameliorate the risk of inadvertent disclosure by requiring a showing that in-house counsel will be able to segregate themselves from the competitive decisionmaking activities of the corporation. For example, in *Boehringer*, there was a strong showing that in-house counsel (including patent counsel) having access to confidential discovery materials could segregate themselves from other potentially conflicting projects. Apparently, the ability of in-house counsel (including patent counsel) in *Boehringer* to segregate themselves from "conflicting work" was an important factor which tipped the scales in favor of in-house counsel access, despite the *Safe Flight* court's implication that in-house counsel who prosecute patents should be precluded from access to confidential discovery

185. *Safe Flight Instrument Corp. v. Sundstrand Data Control, Inc.*, 682 F. Supp. 20, 22 (D. Del. 1988).

186. *Carpenter*, 132 F.R.D. at 28.

187. *Id.*

188. *Boehringer Ingelheim Pharmaceuticals, Inc. v. Hercon Labs.*, 18 U.S.P.Q.2d 1166, 1168 (D. Del. 1990).

189. *Id.* at 1168. See *supra* note 68 and accompanying text for a discussion of this issue.

190. *Glaxo*, 796 F. Supp. at 874.

materials.¹⁹¹ Similarly, in *Glaxo*, in-house counsel represented that he would segregate himself from other matters involving the technical subject matter area of the patent in suit.¹⁹²

The suggestion in *Safe Flight* is that the notion that an in-house counsel's participation in patent prosecution or scientific research is enough to preclude in-house counsel access, is overbroad, as well as inconsistent with the Federal Circuit's rejection of any *per se* ban on in-house counsel access based upon status as in-house counsel alone. Similarly, the district court's affirmance of preclusion of in-house counsel access in *PPG Industries* was tantamount to application of the prohibited *per se* ban on in-house counsel access. In particular, the magistrate judge's speculation in *PPG Industries* (apparently endorsed by the district court) as to the possibility that future activities of in-house counsel might involve that attorney in competitive decisionmaking appear not only unfounded, but also in direct conflict with the framework of analysis for this issue established by *U.S. Steel* and *Matsushita Electric*.

D. Other In-House Counsel Activities

The only other factor specifically identified in *U.S. Steel* as bearing on the competitive decisionmaking analysis is whether in-house counsel participate in activities relating to "pricing."¹⁹³ However, courts have reviewed a number of other specific in-house counsel activities to determine whether in-house counsel participate in "competitive decisionmaking" of the corporation.

For example, in *Matsushita Electric*, the Federal Circuit observed that in-house counsel's affidavit established that he had no involvement in decisions relating to pricing, product design, vendor selection or marketing strategy, and that his duties were primarily legal in nature.¹⁹⁴ Accordingly, the court allowed in-house counsel access.¹⁹⁵ Similarly, in *Glaxo*, in-house counsel established by affidavits that he had no involvement in and gave no advice to his corporate employer about competitive decisions in the areas of pricing, scientific research, sales or marketing.¹⁹⁶ Again, the court permitted in-house counsel access.¹⁹⁷ In contrast, in *Brown Bag*, the court refused in-house counsel access, in part because in-house counsel was responsible for providing advice "on a gamut of legal issues,

191. Cf. *Safe Flight*, 682 F. Supp. at 22 (stating that a court should grant access to in-house counsel who "neither conduct scientific research nor prosecute patents").

192. *Glaxo*, 796 F. Supp. at 874.

193. *U.S. Steel*, 730 F.2d at 1468 n.3.

194. *Matsushita Electric*, 929 F.2d at 1579-80.

195. *Id.*

196. *Glaxo*, 796 F. Supp. at 874.

197. *Id.*

including contracts, marketing and employment.”¹⁹⁸

A party may utilize in-house counsel affidavits to establish the nature of a particular in-house counsel’s activities.¹⁹⁹ Yet, an attorney must carefully draft these affidavits in order to avoid equivocation and to precisely state the nature of in-house counsel’s duties and responsibilities. In *Carpenter*, the in-house counsel who received access established in his affidavit that he had “absolutely no involvement” in decisions relating to pricing, marketing, product design or production.²⁰⁰ However, the in-house counsel who was denied access stated in his affidavit that he had “no *direct* responsibility or authority” relating to decisions regarding pricing, product design or production.²⁰¹ Comparing the two affidavits, the court concluded that the latter in-house counsel must have had “some involvement, albeit probably small, with competitive decisions,” or the two affidavits would have been more similar.²⁰² Accordingly, the court denied access to confidential materials because it found that even indirect responsibility or authority over competitive decisionmaking was sufficient to bar such access.

In view of *Carpenter*, practitioners should carefully draft and review affidavits submitted by in-house counsel in support of a motion seeking access by such counsel to confidential discovery materials. In addition, the submission of such affidavits may lead to a deposition of the in-house counsel affiant, or even an evidentiary hearing before the court, to enable the opposing party to test the averments made in the affidavit. Accordingly, one should closely scrutinize any such affidavits prior to submission, both to confirm the veracity of the affidavit and to avoid potentially detrimental cross-examination testimony of the in-house counsel affiant, which may be, at a minimum, embarrassing or even may undermine the credibility of the substantive positions of the in-house counsel’s corporate employer.

E. Additional Factors

In determining whether a court should permit or deny in-house counsel access, a court may consider several additional factors within the *U.S. Steel* analysis. First, a court may address the complexity of the litigation.²⁰³ Second, it may consider whether the disclosure sought arises at an initial or advanced stage in the litigation.

198. *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470-71 (9th Cir. 1992).

199. Ordinarily, counsel attaches the affidavits to a motion for a protective order brought pursuant to Fed. R. Civ. P. 26(c).

200. *Carpenter*, 132 F.R.D. at 27-28.

201. *Id.* at 28 (emphasis in original).

202. *Id.*

203. *U.S. Steel*, 730 F.2d at 1468.

tion.²⁰⁴ Third, it may also consider the extent to which precluding in-house counsel access would create a hardship to the party seeking access.²⁰⁵

A party seeking in-house counsel access is likely to emphasize the complexity of the litigation and the need for in-house counsel expertise to achieve effective representation of the corporate party. This view finds support in, *inter alia*, the *Carpenter* court's observation that in-house counsel's "specialized knowledge" could be vital to the proper handling of the litigation by outside counsel.²⁰⁶ However, one may also argue that in-house counsel expertise is often less than vital to effective representation, given the availability of independent expert witnesses and technically-trained outside counsel.

Cases in their initial litigation stages generally favor in-house counsel access because the corporation may employ in-house counsel expertise through all phases of pre-trial discovery and trial preparation. However, if discovery is in its later stages or near completion, a court is more likely to preclude in-house counsel access, as outside counsel has presumably effectively handled discovery and developed admissible evidence for trial without the assistance of in-house counsel.²⁰⁷

Precluding in-house counsel access will undoubtedly work a hardship on the corporate party seeking such access. The most obvious hardships are the loss of in-house counsel expertise and the concomitant increased expense of relying upon independent experts or additional outside counsel to analyze confidential discovery materials produced. However, a court will weigh the foregoing factors against the hardship suffered by the party opposing access if such access causes a competitive disadvantage to that party.²⁰⁸

Although it initially seems a *pro forma* matter, in-house counsel seeking access to confidential discovery materials should also seek admission to the court where the action is pending. If the action is pending in a court other than one in which in-house counsel is already admitted, outside counsel should make a motion for in-house counsel admission *pro hac vice*, preferably before the issue of in-house counsel access is litigated. As noted in *Boehringer*, in-

204. *Id.*

205. *Id.*

206. *Carpenter*, 132 F.R.D. at 28.

207. *See, e.g., Brown Bag*, 960 F.2d at 1470-71 (explaining that the court denied in-house counsel access because, *inter alia*, outside counsel had over six months to review confidential discovery materials and had sufficient time to develop admissible evidence before discovery closed).

208. *See, e.g., Amsted Indus.*, No. 88-C924, 1988 U.S. Dist. LEXIS 9413, at *4 (finding that the benefit to plaintiff from additional assistance of in-house counsel access was outweighed by danger of competitive harm which might result from such access).

house counsel are officers of the court and, like retained counsel, are subject to sanctions if the court views their behavior as improper.²⁰⁹ Indeed, the *Carpenter* court conditioned in-house counsel access upon the counsel's admission to practice before the court.²¹⁰

Finally, a party seeking in-house counsel access to confidential discovery materials should take care to insure that the issue has been adequately addressed prior to the entering of any protective order. As observed in *Allegheny*, the burden is higher in convincing a court to modify a previously entered protective order. This is particularly true when the order is one that arose through stipulation of the parties.²¹¹

V. CONCLUSION

Both in-house and outside counsel should be aware that the issue of in-house counsel access to confidential discovery materials may arise in the course of intellectual property litigation. Practitioners must be aware of the Federal Circuit's primary criterion of competitive decisionmaking set forth in *U.S. Steel* and *Matsushita Electric*. Additional factors which bear on the issue include: what duties a particular in-house attorney has within the corporation; the ability of the in-house attorney to be segregated from the competitive decisionmaking of the corporation; the nature of the averments made in any affidavits supporting in-house counsel access; the necessity shown for such access; and even whether such counsel is admitted to the bar of the court in which the matter is being litigated. Accordingly, a court must evaluate each case in its own factual context in view of all of the foregoing factors. Attorneys who take early notice of *U.S. Steel* and its progeny may, through careful pleading and succinct affidavits, be able to minimize costly and time-consuming satellite litigation relating to the access of in-house counsel to confidential discovery materials.

209. *Boehringer*, 18 U.S.P.Q.2d at 1168.

210. *Carpenter*, 132 F.R.D. at 28.

211. *Allegheny*, 1990 U.S. Dist. LEXIS 867, at *4.

