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NOT FOR CITATION

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

PATRIOT SCIENTIFIC CORPORATION, Plaintiff, v. CHARLES H. MOORE, *et al*., Defendants.	Case Number C 04-0618 JF ORDER GRANTING IN PART AND DENYING IN PART DEFENDANTS' MOTION FOR DISQUALIFICATION OF PLAINTIFF'S COUNSEL AND DENYING PLAINTIFF'S MOTION TO ALLOW TESTIMONY OF WILLIS E. HIGGINS

Defendants move to disqualify Plaintiff's counsel, and Plaintiff moves to allow the testimony of Willis E. Higgins. Both motions are opposed. The Court has read the moving and responding papers and has considered the oral arguments of counsel presented on February 4, 2005. For the reasons set forth below, Defendants' motion will be granted in part and denied in part, and Plaintiff's motion will be denied.

I. BACKGROUND

Plaintiff Patriot Scientific Corporation ("Patriot") filed the instant action for declaratory relief to determine the inventorship and ownership of a family of seven patents ("patents-in-

suit"), all of which are derived from United States Patent Application No. 389,334 ("'334 application"). All of the patents at issue list non-party Russell Fish ("Fish") and Defendant Charles Moore ("Moore") as co-inventors. It is undisputed that in 1989, Fish and Moore employed Willis E. Higgins ("Higgins"), a patent attorney, to represent them jointly as co-inventors in the prosecution of the patents-in-suit.

In 1991, Fish transferred and assigned all of his rights, title and interest in the '334 application to the Fish Family Trust ("Fish Trust") which in turn sold its interest in the technology described by the '334 application to Nanotronics Corporation ("Nanotronics"). In 1992, the United States Patent and Trademark Office issued a division order with respect to the '334 application. Part of the application ultimately resulted in the issuance of United States Patent No. 5,809,336 ("'336 patent"), one of the patents-in-suit. In 1994, Nanotronics transferred all of its rights, title and interest in the patents-in-suit to Patriot.

In 2003, Patriot sued several other companies for alleged infringement of the '336 patent. Notwithstanding Higgins' prior relationship with Moore, Patriot's New York counsel retained Higgins as a consultant in connection with these infringement lawsuits. Fish executed a written waiver of the attorney-client privilege with respect to Higgins' earlier work in prosecuting the '334 application.

Although each of the patents-in-suit lists Fish and Moore as co-inventors, Patriot asserts in the instant action that Fish in fact was the sole inventor. Moore asserts that Patriot's current employment of Higgins is not limited to consulting with respect to the infringement actions, and that Patriot's counsel improperly have induced Higgins to assist Patriot in its challenge to Moore's co-inventorship of the patents-in-suit. At his deposition on December 1, 2004, Higgins admitted that he has discussed his communications with Moore during prosecution of the '334 application with Patriot's New York counsel, and that he has provided both oral and written advice to Patriot concerning the inventorship issues herein. Higgins also admitted that his agreement with Patriot obligates him to participate as a witness in Patriot's litigation against Moore. A recent billing statement from Higgins to Patriot in the amount of $31,775 expressly

references conversations between Higgins and Patriot's New York counsel concerning the inventorship issues now before this Court.

Patriot nonetheless opposes disqualification and moves affirmatively to allow Higgins' testimony in the instant case, contending that Moore never communicated confidential information to Higgins, that the principal purpose of its present employment of Higgins is to secure Higgins' assistance in framing claim construction issues in the infringement action and that Higgins' current services thus are not substantially related to his prior representation of Moore. Patriot further claims that Fish's waiver of the attorney-client privilege was legally sufficient to make all joint client information from the prior representation available to Patriot.

II. DISCUSSION

A. Defendants' Motion for Disqualification of Plaintiff's Counsel

Patriot is represented in the instant case by counsel from New York and California; apparently, it also has counsel from Georgia who have not appeared before the Court. Defendants seek disqualification of Patriot's New York counsel on the ground that they induced Higgins to breach his professional obligations to his former client, Moore. They also seek disqualification of Patriot's California and Georgia counsel, asserting that it reasonably may be inferred from the circumstances that these attorneys also have obtained access to Moore's client confidences. As set forth below, the Court agrees with Defendants that disqualification of Patriot's New York and California counsel is required. However, the Court concludes on the present record that there is an insufficient factual basis for disqualification of Patriot's Georgia counsel.

Moore's rights as Higgins' former client are protected by both state and federal law. California Rules of Professional Conduct 3-310(c) and 3-310(e)[1] require that an attorney obtain

[1]Pursuant to this Court's Local Rules, any attorney admitted to practice before the Court, including an attorney admitted *pro hac vice,* is required to comply with the standards of practice applicable to California attorneys. Civ. L. R. 11-4(a)(1).

an informed written waiver before divulging client confidences. California's appellate courts have held that an attorney owes a duty of loyalty to former clients that is even broader than the traditional attorney-client privilege. *Zador Corp., N. V. v. C. K. Kwan,* 31 Cal. App. 4th 1285, 1293 (1995). The United States Court of Appeals for the Federal Circuit has held that the attorney-client privilege is fully applicable to communications between a patent attorney and his clients as long as the primary purpose of the communications is securing a legal opinion, a legal service or assistance in a legal proceeding. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 806 (Fed. Cir. 2000). Although Patriot offers several arguments as to why these authorities do not compel disqualification here, none of the arguments has merit.

First, as a matter of fact, Patriot's contention that Moore never communicated confidential information to Higgins is contradicted directly by Patriot's claim in this very case that Moore admitted to Higgins that Fish was the sole inventor of the '336 patent. Indeed, it is difficult to understand what relevant evidence Higgins could offer as a witness in this case *other* than his historical account of the respective roles and contributions of Fish and Moore in the patent prosecution process. As noted above, Higgins' recent billing to Patriot explicitly references this subject.

Second, as a matter of both fact and law, Patriot's claim that there is an insubstantial relationship between Higgins' prior representation of Moore and his role in the present litigation is simply incorrect. As the California Court of Appeal held in *Zador*, when "the present litigation involves former joint clients who subsequently become adverse, a substantial relation between the former representation and subsequent action is inherent." 31 Cal. App, 4th at 1294-1295. Consequently, "in a situation involving joint clients, the propriety of disqualification is not dependent upon the substantial relationship. Rather it generally turns upon the scope of the client's consent." *Id.* There is no evidence in the record that Moore has ever consented, either expressly or impliedly, to Higgins' assisting Patriot in proving that Moore was not the co-inventor of the '336 patent. Nor is Higgins' conflict of interest obviated by the fact that he is Patriot's retained consultant rather its attorney of record. The prohibition against representation

applies whenever an attorney's employment is adverse to the interests of a former client, even if the attorney is employed as a consultant or designated as a witness. *See American Airlines, Inc. v. Sheppard, Mullin, Richter & Hampton., et al.,* 96 Cal App. 4th 1017, 1039 (2002).

Finally, as a matter of fact and law, Fish's waiver of the attorney-client privilege is insufficient to entitle Patriot to Moore's client confidences. Cal. Evid. Code § 912(b) provides unambiguously that when "two or more persons are joint holders of the attorney-client privilege, waiver of the privilege by one of the joint holders does not affect the right of the other joint holder to claim the privilege." *See also American Mut. Liab. Ins. Co. v. Super. Ct.,* 38 Cal. App. 3d 579, 591 (1974). Although Patriot notes correctly that pursuant to Cal. Evid. Code § 962 there is no privilege as between former jointly represented clients in litigation involving matters of common interest from the former representation, and that this exception under certain circumstances may extend to a client's successor-in-interest, *Zador*, 31 Cal. App. 4th at 1285, § 962 simply is inapplicable here. The fact that Patriot is the assignee of Fish's rights, title and interest in the patents-in-suit does not mean that Patriot is now the joint holder of Moore's attorney-client privilege. The Federal Circuit has held explicitly that "the assignment of a patent does not transfer the attorney-client relationship." *Tectronics Proprietary, Ltd. v. Medtronic, Inc.,* 836 F.2d 1332, 1336 (Fed. Cir. 1998), and there is nothing in the record that establishes that Patriot is anything other than an assignee. Indeed, the record shows that in unrelated litigation involving various rights and obligations as among the Fish Trust, Nanotronics and Patriot, Patriot claimed expressly that it was *not* Nanotronics' (and thus by definition Fish's) successor-in-interest as that term is defined by California law.

Moreover, even if the facts of this case did somehow implicate § 962, California courts have held that § 962 is irrelevant to the issue of attorney disqualification when an attorney breaches his fiduciary duty to a former client. In *Western Continental v. Natural Gas Crop*., 212 Cal. App. 3d 752 (1989), two parties jointly hired an attorney to litigate against a third party regarding their rights to a parcel of land. When the dispute was settled, one of the jointly represented parties retained the same attorney to litigate against the other with respect to the

same rights. The attorney claimed that there was no violation of the attorney-client privilege because the attorney had jointly represented both parties. The court held that §962 did not excuse the attorney's breach of his fiduciary duty to his former client, concluding that "[w]e are unpersuaded that under the circumstances of this case that there is a joint client exception to the prohibition against representation adverse to a former client." *Id*., at 761.

California Rule of Professional Conduct 1-120 provides that an attorney "shall not knowingly assist in, solicit, or induce any violation of the Rules of Professional Conduct." There can be no question in this case that Patriot's New York counsel violated this rule. Even if Patriot's initial employment of Higgins in connection with the infringement actions was unobjectionable in that it was not adverse to Moore, counsel knew that Higgins had jointly represented Fish and Moore previously, and clearly and prejudicially violated Moore's rights by expanding the scope of the consultation to include discussion of issues relevant to the present litigation. Under the circumstances, disqualification, while a harsh remedy, is unavoidable. *See California Canners and Growers v. Bank of America,* 74 B. R. 336, 247 (Bankr. N. D. Cal. 1987). *See also Trone v Smith*, 621 F.2d 998-1001 (9th Cir. 1980); *People ex rel Dept. of Corporations, v. Speedee Oil Change Systems, Inc.*, 20 Cal. 4th 1135, 1146 (1999).

Although there is no evidence that Patriot's California counsel were actively involved in the New York counsel's improper communications with Higgins, the same principles require their disqualification as well. Under California law, an individual attorney's disqualification extends vicariously to the attorney's entire firm whether or not the other members of the firm actually were exposed to the confidential client information in question. Here, Patriot's California counsel have appeared personally before the Court and have electronically co-signed and filed Patriot's pleadings and other documents. This degree of involvement is sufficient to invoke a presumption that California counsel are privy to Moore's confidences.

The record contains little if any information about the involvement of Patriot's Georgia counsel in the events relevant to the instant motion. Because disqualification of Patriot's Georgia counsel would have the effect of requiring Patriot to obtain an entirely new legal team,

and because Defendants have proffered no evidence from which the Court could infer or presume that confidential client information has in fact been communicated to them, the Court will deny this aspect of Defendants' motion without prejudice

B. Motion to Allow Testimony of Willis E. Higgins

The Court's analysis of Plaintiff's motion to allow Higgins to testify in the instant matter mirrors the foregoing discussion. Any testimony by Higgins concerning his communications with or other confidential information provided by Moore in the course of prosecuting the patents-in-suit is subject to the attorney-client privilege, and any testimony by Higgins adverse to Moore's interests would be a breach of Higgins' fiduciary duty to Moore. Absent a specific proffer by Patriot as to how any testimony by Higgins not subject to the attorney-client privilege, Higgins' broader fiduciary duty or both would be relevant to any issue in the present inventorship action, there is no basis for allowing Higgins to appear as a witness.

III . DISPOSITION

Good cause therefore appearing, IT IS HEREBY ORDERED:

1) Defendant's motion to disqualify Plaintiff's counsel is GRANTED as to Plaintiff's New York and California counsel and DENIED WITHOUT PREJUDICE as to Plaintiff's Georgia counsel.

2) Plaintiff's motion to allow Higgins' testimony is DENIED.

DATED: March 8, 2005

/s/ electronic signature authorized
JEREMY FOGEL
United States District Judge

Copies of Order served upon following persons:

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