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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

MORVIL TECHNOLOGY, LLC

Plaintiff,

v.

ABLATION FRONTIERS, INC.;
MEDTRONIC ABLATION FRONTIERS,
LLC; and MEDTRONIC, INC.

Defendants,

AND RELATED COUNTERCLAIMS.

Civil No. 10-CV-2088-BEN (BGS)

**ORDER ON JOINT MOTION FOR
DETERMINATION OF DISCOVERY
DISPUTE RE PLAINTIFF’S REQUEST TO
COMPEL DOCUMENTS WITHHELD BY
DEFENDANTS UNDER THE “COMMON
LEGAL INTEREST” DOCTRINE**

Currently before the Court is the parties’ joint motion for determination of discovery dispute regarding production of “common legal interest” documents.¹ (Doc. No. 63.) Plaintiff Morvil Technology, LLC (“Morvil”) moves to compel documents 39²-42, 51-52 and 57-58 identified on Defendants Medtronic Ablation Frontiers, LLC and Medtronic, Inc.’s (“Medtronic”) privilege log, which Defendants have withheld as attorney client privileged. (*Id.*) The Court, for the reasons set forth below, denies Plaintiff’s request to compel the documents.

¹Also before the Court is Plaintiff’s ex parte motion to file an Exhibit B in support of its request to compel the documents. (Doc. No. 60.) Defendants’ filed an opposition to the ex parte request. (Doc. No. 61.) The Court, after reviewing the proposed Exhibit B, does not find it necessary in deciding the instant joint motion and denies Plaintiff’s ex parte request.

² Defendants agreed to produce document 39 and therefore the Court will not discuss Plaintiff’s request for document 39.

1 The disputed documents at issue were either authored by Ablation Frontiers, Inc.'s ("AFI") outside
2 counsel for AFI, or Medtronic's outside counsel for Medtronic. The documents were subsequently turned
3 over to each respective party by the other during Medtronic's negotiations to acquire all of AFI's products
4 and related intellectual property. (Doc. No. 63 at 1-2.) Morvil argues that the documents are not privileged
5 because they regarded business related advice, not legal advice. (*Id.* at 4.) Morvil requests the court to
6 review *in camera* the documents to determine if the material contains business information as opposed to
7 legal advice. (*Id.* at 5.) After reviewing the parties' briefing, the Court ordered Defendants to lodge the
8 disputed documents with the Court for an *in camera* review. (Doc. No. 100.)

9 The Ninth Circuit typically applies an eight part test to determine whether material is protected by
10 the attorney-client privilege:

11 (1) Where legal advice of any kind is sought (2) from a professional legal adviser in his
12 capacity as such, (3) the communications relating to that purpose, (4) made in confidence
13 (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself
14 or by the legal adviser, (8) unless the protection be waived.

15 *In re Grand Jury Investigation*, 974 F.2d 1068, 1071 n. 2 (9th Cir.1992) (quoting *United States v. Margolis*
16 (*In re Fischer*), 557 F.2d 209, 211 (9th Cir.1977)). The Court has reviewed these documents *in camera* and
17 determines that they are attorney-client privileged documents as between AFI's outside counsel and AFI,
18 and between Medtronic's outside counsel and Medtronic. The documents satisfy the above elements for the
19 privilege to apply.

20 Notwithstanding, Morvil argues that disclosure of such documents to an unrelated third party in a
21 business transaction waived such privilege. (Doc. No. 63 at 4.) Defendants respond that the disclosure of
22 the documents between Medtronic and AFI through their respective counsel does not waive the privilege
23 because the communications fit within the common legal interest doctrine. (*Id.* at 8.) The common-interest
24 doctrine constitutes an exception to the rule on waiver where communications are disclosed to third parties.
25 See *United States v Bergonzi*, 216 F.R.D. 487, 495-96 (N.D. Cal. 2003). "The common interest privilege...
26 applies where the (1) communication is made by separate parties in the course of a matter of common [legal]
27 interest; (2) the communication is designed to further that effort; and (3) the privilege has not been waived."
28 *Id.* at 495 (citation omitted).

Morvil argues that this doctrine does not apply to this case because the communications were in
furtherance of a business interest. (Doc. No. 63 at 5.) In support of this argument, Morvil asserts that

1 Medtronic was attempting to negotiate a purchase price and other terms that it believed were acceptable and
2 AFI was attempting to do the same. (*Id.* at 4.) Defendants counter this assertion by noting that the
3 disclosures were subject to a strict confidentiality agreement between AFI and Medtronic, and the
4 documents constituted a shared legal analysis as to the scope of AFI's patents, including identification of
5 specific AFI products believed to be covered by specific patents, and the scope of several third party patents
6 and the identification of certain claims, specifically as their scope related to AFI's intellectual property. (*Id.*
7 at 7.)

8 The Court, after review of the disputed documents, finds that they purport to disclose what
9 Defendants have proffered in their moving papers. The issue remains as to whether said disclosure of this
10 subject matter to a third party as part of what in essence is a business transaction satisfies the common legal
11 interest exception. Defendants contend that "if AFI's IP was believed to infringe other IP, then Medtronic
12 and AFI's successor would face liability together in the event of the acquisition and therefore would want
13 the benefit from opinions of AFI's legal counsel." (*Id.* at 8.)

14 Joint anticipated litigation has been held to be a common legal interest among buyer and seller of
15 IP. See, e.g., *Hewlett-Packard v. Bausch & Lomb, Inc.*, 115 F.R.D. 308 (N.D.Cal.1987). The court in
16 *Nidec Corp. v. Victor Company of Japan*, 249 F.R.D. 575 (N.D. Cal. 2007), did not find the exception
17 applied in that "there appears little to indicate that the Defendants and the TPG fund might ever engage in
18 joint litigation. The TPG fund was simply considering buying a majority share of JVC. It will not likely
19 become a joint defendant with JVC." *Id.* at 579.

20 It is unclear from the parties' papers whether AFI and Medtronic and/or its successor would face
21 joint litigation. Morvil stresses that Medtronic and AFI were not co-defendants at the time the documents
22 were exchanged, and were not intending to further a common legal interest. Defendants have not proffered
23 any facts that would indicate that AFI would face joint litigation along with Medtronic due to alleged
24 infringements of its products sold before the wholesale acquisition of AFI to Medtronic.

25 The *Nidec* court went on to note that, "[t]he protection of the privilege under the community of
26 interest rationale, however, is not limited to joint litigation preparation efforts. It is applicable whenever
27 parties with common interests join forces for the purpose of obtaining more effective legal assistance."
28 *Nidec*, 249 F.R.D. at 578 (quoting Rice, Attorney Client Privilege in the United States § 4:36, at 216). The

1 court in *In re the Regents of the Univ. of California*, 101 F.3d 1386 (Fed. Cir. 1996), held that the common-
2 interest doctrine applies to documents that ““address either anticipated litigation or a joint effort to avoid
3 litigation.”” *Id.* at 1391 (quoting *Edward Lowe Indus., Inc. v. Oil-Dri Corp. of America*, 1995 WL 410979
4 *2 (N.D.Ill. July 11, 1995)). In *Regents*, third party Lilly was negotiating for the exclusive license to UC’s
5 patents. *Id.* at 1389-90. Genentech, the plaintiff in that case, contended that the communications between
6 UC and Lilly attorneys were not covered by the privilege because they were not made in anticipation of
7 litigation. The court concluded that the communications were subject to the attorney-client privilege and
8 that the common-interest doctrine applied, reasoning in part that the communications were designed to
9 reduce or avoid litigation. *Id.* at 1391.

10 Analogous to the *Regents* case, Defendants’ proffered intentions for the mutual exchange of the
11 privileged documents between AFI and Medtronic establish that these parties had a common legal interest
12 in avoiding or reducing litigation by sharing the legal documents described herein. There may indeed have
13 been an overlap of commercial and legal interests given the purpose of the disclosure, namely wholesale
14 purchase of AFI by Medtronic. But this overlap does not negate the effect of the legal interest in
15 establishing a community of interest. See *Duplan Corp. v. Deering Milliken, Inc.*, 397 F.Supp. 1146, 1172
16 (D.S.C. 1974).

17 The court in *Regents* further held that another common legal interest protected the disclosure of the
18 privileged documents:

19 We conclude that the legal interest between Lilly and UC was substantially identical because
20 of the potentially and ultimately exclusive nature of the Lilly-UC agreement. Both parties
21 had the same interest in obtaining strong and enforceable patents. ... Lilly was more than a
22 non-exclusive licensee, and shared the interest that UC would obtain valid and enforceable
23 patents. UC is a university seeking valid and enforceable patents to support royalty income.
Lilly is an industrial enterprise seeking valid and enforceable patents to support commercial
activity. Valid and enforceable patents on the UC inventions are in the interest of both
parties.

24 *Regents*, 101 F.3d at 1390.

25 Likewise, Medtronic and AFI were contemplating the wholesale acquisition of AFI by Medtronic.
26 The legal interests of AFI and Medtronic in evaluating these legal interests were aligned as both parties were
27 committed to the transaction and working towards its successful completion. (Doc. No. 63 at 7.) AFI and
28 Medtronic shared common legal interests in whether the products that AFI and Medtronic would market
infringed third party IP, and the communications addressing the scope of the IP certainly were designed to

1 further that interest. (*See id.* at 9.) The Court finds that this mutual interest in valid and enforceable patents
2 fits within the confines of the common legal interests doctrine. *See Tenneco Packg'g Specialty & Consumer*
3 *Prod., Inc. v. S.C. Johnson & Son, Inc.*, 1999 WL 754748, at * 2 (N.D.Ill. Sept. 14, 1999) (“contrary to
4 Tenneco’s assertion, the privilege was not waived when DowBrands showed the opinion to SCJ in due
5 diligence for the asset purchase agreement which gave SCJ rights in the ‘299 patent); *Britesmile, Inc. v.*
6 *Discus Dental, Inc.*, 2004 WL 2271589, at *2 (N.D.Cal. Aug. 10, 2004) (“this court finds that Discus and
7 Nathoo share a common legal interest in the issue of whether the technology that Nathoo sold to Discus was
8 patentable and whether it infringed any patent.”)

9 **Conclusion**

10 For the reasons set forth above, the Court denies Plaintiff Morvil’s request to compel production of
11 documents 40-42, 51-52 and 57-58 identified on Defendants Medtronic Ablation Frontiers, LLC and
12 Medtronic, Inc.’s privilege log.

13 **IT IS SO ORDERED.**

14 DATED: March 8, 2012

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16 **BERNARD G. SKOMAL**
17 United States Magistrate Judge
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