

1 **\*\* E-filed January 15, 2010 \*\***

2  
3  
4  
5  
6  
7 NOT FOR CITATION  
8 IN THE UNITED STATES DISTRICT COURT  
9 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
10 SAN JOSE DIVISION

11 LANDMARK SCREENS, LLC, a Delaware  
12 limited liability company,

13 Plaintiff,

14 v.

15 MORGAN, LEWIS & BOCKIUS LLP, a  
16 limited liability partnership; and THOMAS  
17 D. KOHLER, an individual,

18 Defendants.

No. C08-02581 JF (HRL)

**ORDER (1) GRANTING IN PART  
PLAINTIFF'S MOTION TO COMPEL  
AND (2) INTERIM ORDER FOR *IN*  
CAMERA REVIEW OF DOCUMENTS**

**[Re: Docket No. 85]**

19 \_\_\_\_\_  
20 Plaintiff Landmark Screens, LLC ("Landmark") hired defendant Thomas Kohler, then with  
21 the law firm Pennie & Edmonds LLP ("Pennie"), to prosecute patents pertaining to electronic  
22 billboard technology. After Pennie dissolved, Kohler joined defendant Morgan, Lewis & Bockius  
23 LLP ("MLB"). Subsequently, Landmark sued defendants and Pennie in state court, in part on  
24 grounds that they failed to promptly and properly advise it of a United States Patent and Trademark  
25 Office ("PTO") notice advising that Landmark's divisional patent application, filed by Pennie, was  
26 incomplete. The suit against Pennie and Kohler in his capacity as a Pennie partner settled during  
27 arbitration, but the state court dismissed the suit against MLB and Kohler in his capacity as an MLB  
28 partner for lack of subject-matter jurisdiction. Plaintiff then filed a new complaint in federal court  
against defendants asserting malpractice, negligence, breach of fiduciary duty, breach of implied  
contract, and fraud, but the allegation of fraud is now the only remaining claim in the case.

1 In this motion, Landmark moves to compel production of documents it alleges that MLB has  
2 improperly withheld as privileged. In the alternative, it moves for an *in camera* review of these  
3 documents. MLB opposes the motion. Pursuant to Civil Local Rule 7-1(b), the court finds the  
4 matter suitable for determination without oral argument and vacates the January 19, 2010 hearing.

5 **DISCUSSION**

6 **A. Privilege Logs**

7 For purposes of this motion, Landmark requests that this court consider not only the two  
8 privilege logs that defendants have produced in this action (one for MLB and one for Pennie), but  
9 also the MLB and Pennie logs produced in the earlier state court action. Landmark asserts that  
10 several documents appearing on the federal Pennie log originally appeared on the MLB state log. It  
11 points to other inconsistencies that, it argues, indicate that defendants' federal logs are suspect.  
12 Defendants say that it has explained to plaintiff numerous times that a different law firm prepared  
13 the state logs and that its new counsel created new logs for the federal action after reviewing the  
14 documents at issue.

15 Under these circumstances, Landmark has not persuaded the court that differences between  
16 the state and federal logs indicate deceit on the part of defendants.<sup>1</sup> Accordingly, the court will only  
17 consider the privilege logs that defendants have produced in the instant action.

18 **B. Internal Firm Communications**

19 Landmark moves to compel nearly every document on both the MLB and Pennie privilege  
20 logs on grounds that a law firm's duty of loyalty to its clients requires disclosure of the firms'  
21 internal communications. Although a law firm may assert privilege over communications with  
22 outside counsel, *In re SonicBlue Inc.*, 2008 WL 170562, at \*11 (Bankr. N.D. Cal. Jan. 18, 2008), its  
23 fiduciary duty to avoid conflicts of interest prevents it from withholding internal communications  
24 relating to the client's representation "once the law firm learns that [the] client may have a claim  
25 against the firm," *Thelen Reid & Priest LLP v. Marland*, 2007 WL 578989, at \*7-8 (N.D. Cal. Feb.  
26 21, 2007). "As a result, a law firm cannot assert the attorney-client privilege against a current

27 \_\_\_\_\_  
28 <sup>1</sup> Indeed, this court already performed one *in camera* review at the parties' request based on an  
inconsistency between the state and federal logs and found no evidence to support Landmark's  
suspicions. (Docket No. 104.)

1 outside client when the communications that it seeks to protect arise out of self-representation that  
2 creates an impermissible conflicting relationship with that outside client.” *In re SonicBlue Inc.*,  
3 2008 WL 170562, at \*8 (Bankr. N.D. Cal. Jan. 18, 2008). This rule also applies to documents  
4 withheld on work-product doctrine grounds. *Thelen*, 2007 WL 578989, at \*8.

5 *1. MLB Communications*

6 Landmark alleges that defendants were aware of a possible claim against them after  
7 receiving the PTO Notice on June 22, 2004. It argues that this resulted in a conflict of interest that  
8 requires them to disclose any internal communications discussing the actions defendants took in  
9 response to the PTO Notice. Defendants counter that no disclosure is necessary because all of the  
10 items listed on MLB’s log are dated after Landmark terminated their attorney-client relationship on  
11 November 2, 2005.

12 The earliest item on the MLB log is dated November 23, 2005. As a result, the documents  
13 listed on MLB’s log would not require disclosure under *Thelen* because Landmark was not a current  
14 client when these communications took place.

15 Nonetheless, Landmark argues that many items on Pennie’s log are really MLB  
16 communications because they discuss potential litigation and involve MLB attorneys. In response,  
17 MLB asserts that the communications are properly listed on Pennie’s log because the MLB  
18 attorneys involved were all former Pennie attorneys and because MLB “had nothing to do with  
19 filing the Divisional Application” that resulted in the PTO Notice. (Opp’n 11, 13.)

20 A review of the Pennie log does not reveal suspect entries to suggest that they are in reality  
21 internal MLB communications. The entries involve former Pennie attorneys and many discuss the  
22 dissolution of a law firm. As well, nearly all involve Pennie’s outside counsel, insurer, or policy  
23 board. The court is not convinced that these items are MLB internal communications merely  
24 because the subject includes “litigation” or because the author or recipients include former Pennie  
25 attorneys who are now at MLB. Consequently, they do not lose their privileged status on this basis.

26 *2. Pennie Communications*

27 Landmark argues that even if the items listed on Pennie’s log are properly Pennie  
28 communications, they should still be produced because Pennie never terminated its attorney-client

1 relationship in writing as required by their retainer agreement. It claims that as a result, it was a  
2 current client of Pennie when these communications took place. MLB protests that the attorney-  
3 client relationship between Pennie and Landmark ended when Pennie dissolved on December 31,  
4 2003, or at the latest, when Landmark filed a Revocation and Power of Attorney with the PTO on  
5 April 13, 2004 that substituted MLB for Pennie. Still, Landmark asserts that neither of these events  
6 automatically terminated the relationship.

7 For the purposes of this motion, Landmark has failed to persuade the court that an attorney-  
8 client relationship with Pennie persisted into mid-July 2004—the date of the earliest items on  
9 Pennie’s log. Although Landmark’s Michael Wilson testified at deposition that he thought Pennie  
10 was looking to merge with another law firm (and thus, perhaps, continue to exist), he also testified  
11 that Kohler told him he was going to MLB and asked him if Kohler could take the Landmark file to  
12 MLB—a move to which he gave oral consent. Wilson also testified that he was not aware of  
13 anyone at Pennie other than Kohler who worked on Landmark’s patent issues, that he did not talk to  
14 anyone at Pennie about patent issues after the dissolution date, that he did not receive any bills from  
15 Pennie after the dissolution date, and that he viewed Mr. Kohler as his attorney. (Wilson Dep. at  
16 151–53, 155.) Such actions do not support the contention that seven months later, Landmark  
17 nevertheless believed it still had a current relationship with Pennie for patent matters.<sup>2</sup>

18 Landmark also argues that even if it were a former Pennie client, that “under California law,  
19 Pennie had a continuing duty of loyalty to Landmark even after termination of the attorney-client  
20 relationship” to not act in a way that would injure it. (Mot. 16–17.) *See Styles v. Mumbert*, 79 Cal.  
21 Rptr. 3d 880, 883 (Ct. App. 2008). It asserts that Pennie’s failure to disclose information about the  
22 PTO Notice injured it in violation of this continuing duty of loyalty, and as a result, that Pennie  
23 must disclose its communications under the rationale of *Thelen*. But *Thelen* specifically entailed in-  
24 house communications concerning *current* clients and conflicts. The court does not find that the  
25 circumstances here warrant an extension of *Thelen*’s holding to any duties of disclosure Pennie may  
26 have had *after* the termination of the attorney-client relationship.

27 \_\_\_\_\_  
28 <sup>2</sup> Landmark’s assertion that the attorney-client relationship persisted merely because Pennie failed to  
provide a written termination notice would also lead to an absurd result in this case: as Landmark  
alleges that Pennie *never* provided such a notice (Reply 11), it necessarily argues that it *still* has a  
current attorney-client relationship with Pennie, despite the fact that Pennie dissolved six years ago.

1 **C. Crime-Fraud Exception**

2 Landmark further moves for disclosure of documents on both the MLB and Pennie logs  
3 under the crime-fraud exception to the attorney-client privilege. It argues that defendants'  
4 communications with inside and outside counsel that discuss "litigation," "anticipated litigation," or  
5 "potential litigation" show that they knew Landmark had a potential claim against them and sought  
6 to fraudulently conceal that information. (Mot. 18.) It says that accordingly, these communications  
7 must have been in furtherance of the alleged fraud. Defendants counter that Landmark only offers  
8 conjecture and fails to provide evidence to support the application of the crime-fraud exception.  
9 They argue that even an *in camera* review is inappropriate due to Landmark's lack of evidence.<sup>3</sup>

10 Under the crime-fraud exception, communications are not privileged if the client seeks the  
11 advice of counsel to further a criminal or fraudulent scheme and the communications are sufficiently  
12 related to and made in furtherance of that scheme. *In re Napster, Inc. Copyright Litig.*, 479 F.3d  
13 1078, 1090 (9th Cir. 2007), *abrogated on other grounds by Mohawk Indus., Inc. v. Carpenter*, ---  
14 U.S. ---, 130 S. Ct. 599 (2009) (citations omitted). Courts have also applied this rule to allow  
15 disclosure of attorney work product. *See, e.g., In re Grand Jury Proceedings*, 867 F.2d 539 (9th  
16 Cir. 1989). In a civil case, the "preponderance of the evidence" standard is required for outright  
17 disclosure of communications pursuant to this exception. *In re Napster*, 478 F.3d at 1094–95.

18 Landmark's argument in support of disclosure pursuant to the crime-fraud exception is, for  
19 the most part, premised on the fact that Landmark's complaint alleges actual fraud. Nevertheless,  
20 merely repeating the facts as presented in its complaint does not show a preponderance of the  
21 evidence that the communications listed on the privilege logs were sufficiently related to and made  
22 in furtherance of fraud. Thus, compelling outright disclosure is inappropriate under the  
23 circumstances.

24 That said, Landmark has also requested that the court perform an *in camera* review to  
25 determine whether the crime-fraud exception applies. "[T]he procedural posture and consequences

26 \_\_\_\_\_  
27 <sup>3</sup> MLB also argues that Landmark is precluded from asserting the crime-fraud exception as to  
28 Pennie's documents because the issue was already litigated in arbitration during the state court  
proceedings. However, the arbitration panel never rendered a final award, and the panel's decision  
on the motion to compel was not identical to the issue here as it was considering only the state  
privilege logs. *See Producers Dairy Delivery Co. v. Sentry Ins. Co.*, 718 P.2d 920, 923 (Cal. 1986)  
(providing the requirements for collateral estoppel).

1 of an *in camera* inspection of . . . disputed communications are fundamentally different from those  
2 of an order requiring their outright disclosure.” *Id.* at 1092. As a result, “a lesser evidentiary  
3 showing is needed to trigger *in camera* review than is required ultimately to overcome the  
4 privilege.” *United States v. Zolin*, 491 U.S. 554, 572 (1989); *see also In re Napster*, 479 F.3d at  
5 1092.

6       Instead of establishing a preponderance of the evidence, the party seeking an *in camera*  
7 review must show a factual basis supporting a reasonable, good-faith belief that a review may reveal  
8 evidence supporting the application of the crime-fraud exception. *Zolin*, 491 U.S. at 572. The  
9 *Napster* court noted that an *in camera* review is not “a panacea,” but recognized that the “judicious  
10 use of *in camera* review, combined with a preponderance burden for terminating privilege,” struck  
11 an appropriate “balance between the importance of the attorney-client privilege and deterrence of its  
12 abuse.” *Id.* at 1096. Accordingly, the decision to have an *in camera* review “rests in the sound  
13 discretion of the district court.” *United States v. Zolin*, 491 U.S. 554, 572 (1989).

14       The fraudulent concealment at issue in this case primarily involves the actions of Kohler, as  
15 an MLB partner, concerning the PTO Notice. Landmark asserts that Kohler received the PTO  
16 Notice on June 22, 2004, but did not tell Landmark about it until early December 2004. Landmark  
17 also alleges specific acts suggesting that Kohler continued to conceal information through May  
18 2005. (Mot. 3, 8.) Although these facts do not support a blanket *in camera* review of all the  
19 documents at issue in this motion, they do support a reasonable, good-faith belief that Kohler’s  
20 communications with counsel during the alleged concealment period may reveal evidence  
21 supporting the application of the crime-fraud exception. Accordingly, the court will exercise its  
22 discretion to conduct an *in camera* review of documents appearing on Pennie’s log involving  
23 Kohler’s communications with outside counsel from the date of the PTO Notice through May 2005.<sup>4</sup>

24 **D. Henry Communications**

25       Finally, Landmark moves to compel production of communications appearing on the Pennie  
26 log involving non-attorney Edward Henry, Pennie’s former Executive Director, because it asserts  
27 that the communications were not primarily to seek legal advice. MLB responds that the “primary  
28

---

<sup>4</sup> No items on MLB’s log are dated within this time period.

1 purpose” rule only applies to communications with in-house counsel and that Henry’s  
2 communications presumptively are privileged because they were for the purpose of carrying out  
3 privileged communications with Pennie’s outside counsel and insurance company representative.  
4 *See United States v. ChevronTexaco Corp.*, 241 F. Supp. 2d 1065 (N.D. Cal. 2002). Landmark  
5 asserts that it has rebutted this presumption with evidence in the form of Henry’s state court  
6 declaration.

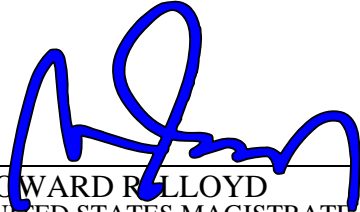
7 The court is unpersuaded that the documents listed in the Pennie log pertaining to Henry  
8 were not for the purpose of furthering communications with outside counsel and insurers such as to  
9 overcome the presumptive privilege. In his declaration, Henry notes that he “was required to  
10 provide Pennie’s primary insurance carrier with status reports on all matters that could potentially  
11 result in claims against Pennie.” (Henry Decl. 1.) In its motion, Landmark admits that California  
12 law recognizes that communications between an insured to his liability insurance company about a  
13 potential claim is treated as a privileged communication. (Mot. 18 n.6); *see also Scripps Health v.*  
14 *Superior Court*, 135 Cal. Rptr. 2d 126, 130 (Ct. App. 2003). Furthermore, Henry states that the  
15 duties of Pennie’s outside counsel, James Corcoran, included “resolving claims brought against  
16 Pennie.” (Henry Decl. 1.) This is a sufficient nexus to support MLB’s assertion of privilege for  
17 Henry’s communications.

18 **CONCLUSION**

19 Based on the foregoing, IT IS ORDERED that:

- 20 1. MLB shall produce to this court within fourteen days the following documents as they  
21 appear on the Pennie privilege log for an *in camera* review: MLBFED0002495–97;  
22 MLBFED0002510–11; MLBFED0002513–17; MLBFED0002520–25;  
23 MLBFED0002561; MLBFED0002563; and MLBFED0002575–80.  
24 2. Following this court’s *in camera* review, it shall order any subsequent disclosure as  
25 appropriate.

26  
27 Dated: January 15, 2010

28   
\_\_\_\_\_  
HOWARD R. LLOYD  
UNITED STATES MAGISTRATE JUDGE

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**C 08-02581 Notice will be electronically mailed to:**

Clark S. Stone	clark.stone@haynesboone.com, sjctemp1@haynesboone.com
Courtney Towle	ctowle@texarkanalaw.com
Edward John McIntyre	emcintyre@swsslaw.com, dpierson@swsslaw.com
Elliot Remsen Peters	epeters@kvn.com, aap@kvn.com, efiling@kvn.com
Inchan Andrew Kwon	inchan.kwon@haynesboone.com, edward.kwok@haynesboone.com, efilesjc@haynesboone.com, sjctemp1@haynesboone.com
John Elliot Trinidad	jtrinidad@kvn.com, efiling@kvn.com
Steven Mark Levitan	steve.levitan@haynesboone.com
Steven Paul Ragland	sragland@kvn.com, efiling@kvn.com, jwinars@kvn.com
Wendy Jill Thurm	wthurm@kvn.com, efiling@kvn.com, lind@kvn.com, pwm@kvn.com
William N. Kammer	wkammer@swsslaw.com, rtang@swsslaw.com

**Counsel are responsible for distributing copies of this document to co-counsel who have not registered for e-filing under the court's CM/ECF program.**