

# OREGON LAW UPDATE

## Attorney-Client Privilege Recognized for Attorneys Who Try to do Right

**From the desk of Jeff Eberhard: In a recent Oregon Supreme Court case, attorneys were afforded the protections of the attorney-client privilege when consulting with in-firm counsel about their professional responsibilities to a client.**

**Claims Pointer: In this case, the Oregon Supreme Court held that the attorney client privilege applied to communications between a firm's in-house counsel and individual attorneys in the same firm who consulted with in-house counsel regarding their professional responsibilities to a client when there was a potential conflict of interest. In other words, a court will protect the efforts of attorneys who try to do right in the face of potential conflicts of interest.**

case in point...

Crimson Trace Corp. v. Davis Wright Tremaine, LLP, in the Oregon Supreme Court, 355 Or. 476 (2014).

Birdwell and Boundy, two attorneys at Davis Wright Tremaine ("DWT") initially represented Crimson Trace Corporation ("Crimson") in regard to prosecution of its patents. Crimson later retained DWT to represent it in a patent infringement dispute with a competitor, LaserMax, where Laser Max asserted counterclaims arguing, the "235 patent" was invalid because Crimson had deceptively omitted material information when it was submitted to the Patent and Trademark Office. In the counter claim, Laser Max also name attorney Birdwell as a defendant. Birdwell and Boundy were concerned about a conflict regarding the 235 patent counterclaim, since both attorneys prosecuted the patent and because Birdwell was personally named in the lawsuit. Potentially, the firm could have been in the position of defending Birdwell at the same time it was defending Crimson. Both DWT attorneys consulted with the DWT's Quality Assurance Committee ("QAC"), a group of DWT attorneys who were designated as in-house counsel, and after doing so, disclosed the potential conflict to Crimson's CEO.

LaserMax argued Crimson had acted in bad faith and litigated the patent infringement claim in bad faith. LaserMax subpoenaed Birdwell's files relating to the 235 patent. LaserMax and Crimson later negotiated a settlement which was to remain confidential, but when Boundy filed the settlement under seal, he did so in a way which gave the impression LaserMax conceded liability, when it had not. LaserMax complained about the disclosures and the district court determined Boundy's disclosures were intentional and damaging to LaserMax, causing the court to disclose the entire agreement and impose a monetary sanction on

Crimson for acting in bad faith. At the same time, Crimson had stopped paying DWT's attorney's fees and its CEO informed DWT that Crimson's board was contemplating a malpractice action against them. Crimson eventually filed an action for legal malpractice and breach of contract against DWT.

During the course of the legal malpractice suit, Crimson requested production of any communications between or among DWT attorneys about possible conflicts of interest regarding DWT's representation of Crimson, Boundy's handling of the settlement agreement, and the prosecution of the 235 patent.

DWT resisted production, arguing the communications Crimson sought were protected by the attorney client privilege under OEC 503 because they involved the rendition of legal services by the firm's in-house counsel to the firm and its members. Crimson filed a motion to compel which was granted, in part, by the trial court. The court concluded all but three categories of documents fell within the attorney client privilege but that because there was a conflict of interest between Boundy, Birdwell and Crimson, the "fiduciary exception" to the attorney client privilege applied. DWT filed a petition to ask the Oregon Supreme Court to review the order requiring DWT to produce all of the requested documents to Crimson, arguing OEC 503, which governs the attorney client privilege, was the sole source of law relevant to the case and the trial court erred in recognizing the fiduciary exception to the attorney client privilege. Crimson argued the communications between QAC, Birdwell and Boundy were not privileged because there could be no reasonable expectation that an attorney client relationship could exist between QAC, Birdwell and Boundy because the two attorneys knew their interests were adverse to Crimson, who was current client at the time. Alternatively, Crimson argued the



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court could recognize an additional exception to the attorney client privilege which was not specifically listed in the rule.

The Oregon Supreme Court held the attorney client privilege applied to the communications between QAC, Birdwell and Boundy. In reaching its holding, the Court found nothing in OEC 503 that prevented a law firm or its individual lawyers from becoming a client of the firm's in-house counsel. The Court also noted that the trial court determined "absent the fiduciary exception" the attorney client privilege applied to the communications between the QAC, Birdwell and Boundy, which suggested that Birdwell and Boundy had consulted a lawyer in the QAC for the purposes of obtaining professional legal services. Moreover, the trial court expressly found that the DWT lawyers intended for the communications to be confidential and not disclosed to Crimson. Moreover, the evidence was uncontroverted that the communications to QAC were for the purposes of obtaining advice regarding Birdwell and Boundy's professional possibilities relating to the LaserMax litigation.

The Court also analyzed OEC 503 and held that the legislature intended only five exceptions to the attorney client privilege to apply, and did not attend for the court to recognize any additional exceptions. Therefore, the trial court erred in recognizing the "fiduciary exception" to the attorney client privilege, and the Oregon Supreme Court reversed the trial court order requiring DWT to turn over all communications between the QAC, Birdwell and Boundy to Crimson, with the exception of the three categories of communications the trial court found were not privileged.



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