

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

APPLIED TECHNOLOGY INTERNATIONAL,	:	CIVIL ACTION
LTD. and FABRIFOAM PRODUCTS,	:	
	:	
Plaintiffs,	:	No. 03-848
v.	:	
	:	
SAMUEL GOLDSTEIN, PROFESSIONAL	:	
PRODUCTS, INC., TRANN TECHNOLOGIES,	:	
INC., and BRYAN KILBEY,	:	
	:	
Defendants.	:	

MEMORANDUM AND ORDER

JOYNER, J.

February 7, 2005

The issue presently before this Court is whether Defendant Samuel Goldstein can be compelled to complete his deposition and answer questions concerning his relationship and communications with patent attorney Stephan P. Gribok, or whether such communications are protected by the attorney-client privilege. Based on the record before this Court, we find that Mr. Gribok represented Defendant Goldstein only in his capacity as a corporate officer of Plaintiff Applied Technology International, Ltd. Thus, Defendant Goldstein's communications with Mr. Gribok concerning patent applications filed between 1990 and February 2002 are not privileged as against Plaintiffs.

Facts and Procedural History

Defendant Samuel Goldstein is the former president of Plaintiff Applied Technology International, Ltd. ("ATI"), a

corporation currently doing business as Fabrifoam Products. ATI was incorporated in 1990 for the purpose of manufacturing and marketing Fabrifoam, a product developed in the mid- to late 1980's by Defendant Goldstein and Harry A. Sherman, the current president of ATI. The instant action arises from a dispute between Plaintiffs and Defendant Goldstein concerning Defendant's alleged conversion of patent and trademark rights and misappropriation of trade secrets. Presently at issue is the question of whether attorney Stephan P. Gribok, during the time that Defendant was employed by ATI, was representing Defendant in his individual capacity, or rather representing ATI as a corporate entity.

Prior to ATI's incorporation in 1990, Defendant Goldstein engaged patent attorney Karl L. Spivak to assist him in obtaining patents for several inventions, including an elasticized clucher, for which a patent was issued in July 1983, and a drinking device. Defendant has testified that he believes he entered into a retainer agreement with Mr. Spivak early in the representation. Goldstein Deposition II, pp. 105-06. When Mr. Spivak retired from the law firm of Eckert Seamans Cherin & Mellott, Defendant was "turned over" to Stephan P. Gribok, but did not sign a retainer agreement with Mr. Gribok. Goldstein Deposition II, p. 106; Goldstein Deposition I, pp. 127-29. Defendant has testified that he believes the reason for this was because Mr. Gribok's

mentor, Mr. Spivak, knew Defendant "very well," trusted Defendant, and felt it was "not necessary any longer to have a retainer." Goldstein Deposition I, p. 127; Goldstein Deposition II, p. 106. It appears from the record that Mr. Gribok first became involved with Defendant around the time of ATI's incorporation or shortly beforehand.

Defendant Goldstein's responsibilities as president of ATI included new product development and oversight of patent and trademark issues with counsel. Goldstein Deposition II, pp. 104-05, 127-128. Defendant has testified that all of ATI's patent or trademark issues would have been handled by either Eckert Seamans or Duane Morris (the firm Mr. Gribok later transferred to), and that Defendant had no "direct contact" with any other attorneys at these firms besides Mr. Gribok. Goldstein Deposition II, p. 123, 128, 131. The bills for Mr. Gribok's patent work were addressed to Defendant Goldstein in his capacity as president of ATI, and most of these bills were apparently paid by ATI. Goldstein Deposition II, pp. 110-11. While Defendant has testified that, "early on," he paid some of the attorney's fees for patents obtained while at ATI, he has provided no documentation to support this contention. Goldstein Deposition II, p. 113.

Shortly after ATI's incorporation, Mr. Gribok assisted in applying for and obtaining a patent for Fabrifoam. The Fabrifoam

patent was issued in August 1991 in the name of Harry Sherman, ATI's then-vice-president, and was assigned to ATI. Goldstein Deposition I, pp. 129, 131-32. Mr. Gribok was also involved in patenting the Pronation Spring Control Device ("PSC"), one of the patents at issue in this action. The PSC patent was issued in September of 1997 in Defendant Goldstein's name, but was not assigned to ATI. Goldstein Deposition I, pp. 126, 132-33.

In 1999, Mr. Gribok moved from Eckert Seamans to Duane Morris, and sent his clients a form letter advising them of this change. Defendant testified that he received such a letter in March of 1999, and that the letter was "incorrectly" addressed to "Samuel A. Goldstein, President of Applied Technologies International." Goldstein Deposition II, pp. 107-08. Defendant testified that "they could never get it right," but that the letter was addressed "exactly as, I think, many other pieces of correspondence had been directed to me from [Mr. Gribok]." Goldstein Deposition II, p. 108. Defendant admits that the letter from Mr. Gribok at Duane Morris was a "business letter" rather than of a personal nature. Goldstein Deposition II, p. 109.

After moving to Duane Morris, Mr. Gribok assisted Defendant in applying for a patent for a therapeutic bandage, also contested in this action. The patent application was filed in Defendant's name in March of 2000. However, before the patent

was issued, Defendant and Mr. Sherman had a falling out, and Defendant ultimately resigned from ATI in February of 2002. One month after Defendant's resignation, Mr. Gribok sent a letter to Mr. Sherman (who by that time was president of ATI) indicating that he had learned of the conflict between Defendant Goldstein and Plaintiffs, and wished to withdraw from representation of either party. Mr. Gribok wrote, "This [conflict] puts me, and our firm, for that matter, in a difficult ethical position. I have had a long relationship with Sam and also with FabriFoam, and we have never been called on to distinguish between the two. I believe that I cannot faithfully represent either Sam or FabriFoam in a contested matter against the other." This action was filed in February of 2003.

At an April 16, 2004 deposition, Defendant Goldstein asserted the attorney-client privilege in response to questions regarding his conversations with Mr. Gribok concerning patent development during the course of Defendant's employ with ATI. In the instant Motion to Compel, filed June 29, 2004, Plaintiffs contend that Defendant Goldstein was never represented in his personal capacity by Mr. Gribok, Eckert Seamans, or Duane Morris, but only in his corporate capacity as an officer of ATI. After oral argument on August 9, 2004, it was agreed that the parties would submit supplemental information to assist the Court in understanding the relationship between Plaintiffs, Defendant

Goldstein, and Mr. Gribok, including any invoices of payment to Mr. Gribok or the firms at which he practiced. When the parties failed to submit the requested supplements, this Court held a telephone conference on December 28, 2004, and entered an Order on January 4, 2005 requiring that the parties submit all supplements in connection with the pending Motion to Compel by January 25, 2005, and that any subsequent replies be filed by February 1, 2005. As of January 26, 2005, neither Defendant (who bears the burden of proof on the issue of privilege) nor Plaintiffs had filed with this Court any additional documentation serving to clarify the nature of the relationship between the parties and Mr. Gribok.¹

Discussion

The attorney-client privilege, the oldest confidential

¹ On February 1, 2005, Plaintiffs submitted a memorandum in further support of their Motion to Compel, as well as supporting documentation, including the affidavit of Mr. Sherman, a transcript of Mr. Gribok's deposition, and two letters and a memorandum to file written by Mr. Gribok. As there was no ambiguity in the January 25, 2005 deadline established by this Court's Order, and as the parties have had since August 9, 2004 to submit supplements in this matter, this Court is unwilling to extend any leniency to Plaintiffs' untimely filing.

We further direct counsel's attention to Local Rule of Civil Procedure 7.1(c), governing the appropriate form of briefs to the Court. Plaintiffs' counsel is advised that this Court will no longer accept informal letters devoid of legal authority in lieu of legitimate briefs. While counsel is practicing in federal court, he is encouraged to conduct himself as an attorney knowledgeable of the requirements of federal motion practice.

communications privilege known to the common law, is designed to encourage uninhibited communication between clients and their attorneys. Haines v. Liggett Group, Inc., 975 F.2d 81, 90 (3rd Cir. 1992). Under both federal and Pennsylvania law, corporate officers and directors may not claim a privilege for communications made to counsel in their corporate capacities.² In the matter of Bevill, Bresler and Schulman Asset Management Corporation, 805 F.2d 120, 124-25 (3rd Cir. 1986); Maleski by Chronister v. Corporate Life Ins. Co., 641 A.2d 1, 4 (Pa. Commw. Ct. 1994). To assert a claim of attorney-client privilege as to communications with corporate counsel, corporate officers must demonstrate that (1) they approached counsel for the purpose of seeking legal advice; (2) when they approached counsel, they made it clear that they were seeking legal advice in their individual rather than in their representative capacities; (3) that counsel saw fit to communicate with them in their individual capacities, knowing that a possible conflict could arise; (4) that their conversations with counsel were confidential; and (5) that the substance of their conversations with counsel did not concern

² Where the claims and defenses at issue in an action arise under state law, Federal Rules of Evidence 501 and 1101(c) provide that a court must apply state law in determining the extent and scope of the attorney-client privilege. Rhone-Poulenc Rorer v. Home Indem. Co., 32 F.3d 851, 861 (3rd Cir. 1994). The claims and defenses at issue in this action arise under both state and federal law. However, the parties have not argued that there are any principles or rules of law as to the attorney-client privilege unique to Pennsylvania which should control the resolution of our decision. Rhone-Poulenc Rorer, 32 F.3d at 862.

matters within the company or the general affairs of the company. Bevill, 805 F.2d at 123; Maleski, 641 A.2d at 4-5 (adopting the five-part Bevill test for the purpose of Pennsylvania law). The burden of demonstrating that an evidentiary privilege applies rests on the party resisting discovery. See, e.g., McCrink v. Peoples Benefit Life Ins. Co., No. 04-1068, 2004 U.S. Dist. LEXIS 23990 (E.D. Pa. 2004)

This Court finds that Defendant Goldstein has not satisfied his burden of showing that the attorney-client privilege protects the content of his communications with Mr. Gribok during the time Defendant was employed by ATI.

Specifically, Defendant has not demonstrated to the satisfaction of this Court that he sought legal advice from Mr. Gribok as an individual, rather than as a corporate officer, or that Mr. Gribok agreed to communicate with Defendant in his individual capacity despite the possibility of conflict. See Bevill, 805 F.2d at 123. The most telling evidence with respect to these issues is the March 28, 2002 letter from Mr. Gribok himself, addressed to Mr. Sherman at Fabrifoam Products, concerning the conflict between Defendant and Plaintiffs. In this letter, Mr. Gribok indicates his wish to withdraw from representing either party, and writes, "I have had a long relationship with Sam and also with Fabrifoam, and we have never been called on to distinguish between the two" (emphasis added).

If an attorney himself admits that he was never called on to distinguish between a corporate officer and the larger corporate entity, and if the first time the attorney was alerted to any possibility of conflicting interests was more than ten years into the representation, it is clear that the corporate officer has not satisfied prongs 2 and 3 of the Bevill burden. While Defendant may have had a history of personal representation with Mr. Spivack, he obviously did not make clear to Mr. Gribok at any point in the representation that he was seeking legal advice in his individual capacity, rather than as a corporate representative of Plaintiffs.

Defendant's position on the issue of Mr. Gribok's representation appears to be grounded in two lines of argument. First, Defendant insists that Mr. Gribok knew he was representing Defendant individually because Mr. Gribok "was aware" that the Pronation Spring Control patent was not being assigned to ATI. Goldstein Deposition I, p. 134. Defendant has testified that he "firmly believe[s]" that he told Mr. Gribok that he did not intend to assign the PSC patent, but could not recall at what time or under what circumstances this conversation may have occurred. Goldstein Deposition I, pp. 137-38. However, while a corporate inventor's unwillingness to assign a patent to his corporate employer might lead the patent attorney involved to inquire further about the corporate relationship, it by no means

establishes that the representation was individual rather than corporate. Furthermore, the bulk of Defendant's testimony concerning his communications with Mr. Gribok indicates that Defendant never made clear to Mr. Gribok that he was seeking legal advice in his individual capacity. For example, when Defendant was asked at deposition whether it was his understanding that Mr. Gribok (or, for that matter, Mr. Spivak) was working for him individually with respect to the patent work, Defendant testified, "I never considered that whether he was or wasn't, they were or they were not ... we never discussed it." Goldstein Deposition I, pp. 127-28. Defendant has admitted that his responsibilities as president of ATI included oversight of patent and trademark issues with legal counsel, and that much of Mr. Gribok's correspondence with him was addressed to "Samuel A. Goldstein, President of Applied Technologies International." Even if, as Defendant claims, these correspondences were addressed "incorrectly," the fact that they were consistently addressed to Defendant in his corporate capacity suggests that Mr. Gribok believed he was representing ATI.

Defendant's second argument in support of his claim of attorney-client privilege is that he personally paid some of Mr. Gribok's legal fees, and that any legal fees paid by Plaintiffs were merely "reimbursement owed to Mr. Goldstein." Defendant's Memorandum, p. 11. However, in the six months during which

Defendant has had an opportunity to review his records, and despite specific inquiries by Plaintiffs' counsel and by this Court for documentation of such payment, Defendant has failed to provide any tangible evidence indicating that he personally paid any of Mr. Gribok's legal fees. While establishment of an attorney-client relationship "is not dependent on the payment of a fee nor upon execution of a formal contract," the burden of demonstrating that a privileged relationship exists nonetheless rests on the party who seeks to assert it. See United States v. Costanzo, 625 F.2d 465, 468 (3rd Cir. 1980). In light of Defendant's failure to provide any evidence suggesting that Mr. Gribok was engaged for Defendant's personal representation, and in light of Defendant's admissions regarding his relationship with Mr. Gribok and with ATI, Defendant's claim of attorney-client privilege cannot stand.

Furthermore, Defendant Goldstein has made no efforts to show that the substance of his conversations with Mr. Gribok concerned matters exclusively outside the general affairs of the company. See Bevill, 805 F.2d at 123. Indeed, Defendant's testimony regarding his interactions with Mr. Gribok suggest quite the opposite. The first year or two of Mr. Gribok's representation were marked by the patenting and introduction of Fabrifoam, and the incorporation of ATI "for the express purpose of exploiting" the Fabrifoam patent. Complaint, ¶ 9. Defendant admits that Mr.

Gribok discussed the issuance of the Fabrifoam patent with Mr. Sherman, the named inventor and then-vice-president of ATI. Goldstein Deposition II, p. 131. The Fabrifoam patent was assigned to ATI, and soon formed the core of ATI's product base and later product development. Because the patenting of the Fabrifoam product falls squarely within the "general affairs" of ATI, it is abundantly clear that Defendant cannot satisfy the fifth element of the Bevill test.

Conclusion

Defendant, a corporate officer of ATI, has failed to demonstrate that he clearly approached Mr. Gribok for legal advice in his individual capacity, that Mr. Gribok saw fit to communicate with Defendant in his individual capacity while recognizing the possibility of conflict, or that the substance of their conversations did not concern matters within ATI's general affairs. As such, Defendant can claim no attorney-client privilege as against his corporate employer, ATI, and may be compelled to complete his deposition and respond to questions concerning his communications with Mr. Gribok.

An appropriate Order follows.

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SAMUEL GOLDSTEIN, PROFESSIONAL	:	
PRODUCTS, INC., TRANN TECHNOLOGIES,	:	
INC., and BRYAN KILBEY,	:	
	:	
Defendants.	:	

ORDER

AND NOW, this 7th day of February, 2005, upon consideration of Plaintiffs' Motion to Compel Deposition Testimony of Samuel A. Goldstein (Doc. No. 32), and all responses thereto (Docs. No. 33, 35), it is hereby ORDERED that the Motion is GRANTED. It is FURTHER ORDERED that Defendant Samuel A. Goldstein shall appear at a deposition and shall respond to such questions as they relate to his relationship and communications with attorney Stephan P. Gribok, and such other matters pertaining thereto.

BY THE COURT:

s/J. Curtis Joyner
J. CURTIS JOYNER, J.