

## Privilege Claims Validated in Counterfeit Detection Dispute

Article By:

Gourdin Sirles

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In a recent decision, Magistrate Judge Kelley addressed the legitimacy of withholding third party communications under the common interest doctrine. The case involved plaintiff Crane Security Technologies, Inc. (“Crane”) – the exclusive supplier of banknote paper for United States currency – and defendant Rolling Optics, AB (“RO”) – that, among other things, manufactures 3D micro-optic foils for use on product packaging to “assure the genuineness of a branded product.” Crane alleged that RO’s 3D micro-optic foils infringed patents directed to an “optical system” that prevents counterfeiting.

The patents-in-suit were initially owned by a third party, Nanoventions (“NV”). Over a period of several years, Crane obtained an exclusive license to the patents from NV, and subsequently purchased the patents outright. During discovery, RO sought certain communications between Crane and third parties regarding both transactions, including: (1) communications between Crane and NV regarding the license, while NV was prosecuting the asserted patents; (2) communications between Crane and NV regarding Crane’s purchase of the asserted patents; and (3) communications between Crane and an investment bank, which was helping Crane purchase the patents. Crane objected, and claimed that the documents were protected by the attorney-client privilege and common-interest doctrine. RO then moved to compel.

The court sided with Crane and found that all of the subject communications were protected by the common-interest doctrine, as all parties involved in such communications had similar legal interests regarding the asserted patents. In doing so, the court identified several important contours of the doctrine.

Regarding the first category of documents – licensing communications during NV’s prosecution of the asserted patents – RO argued that privilege could not apply because Crane and NV had no specific agreement that the disputed “communications concerning patents” were confidential. However, the court observed that the parties were bound by a **prior** confidentiality agreement on a related topic – “business opportunities related to security thread for banknote paper.” While that agreement was in effect, the parties began discussing a license to the asserted patents and exchanging communications about the asserted patents. According to the court, this was enough to find that the common interest doctrine applied. Indeed, it was because of these licensing discussions that the parties had a common interest “in the strength and enforceability of NV’s patents.”

As to the second category, the court found that Crane and NV had a common interest while they

were negotiating Crane's purchase of the asserted patents. RO argued, however, that the parties' interests could not be aligned while they were negotiating the sale at arms' length. According to the court, some arms' length negotiations **could** destroy the privilege, but patent negotiations are a special case.

Indeed, "as long as the communications between buyer and seller concern the strength and enforceability of the patents, they are primarily for a legal purpose and are protected under the common-interest doctrine." The court found that the communications at issue satisfied this standard.

Finally, the court ruled that Crane's communications with the investment bank were also protected under the common interest doctrine. The court noted that Crane engaged the bank to assist with purchasing NV's patents, and that many of the disputed communications were between Crane's outside counsel and the bank. But, according to the court, those facts were not enough to trigger the common interest doctrine. Indeed, the privilege could not exist if Crane's attorney was merely "serving as a pass-through for business advice." According to the court, several other factors must exist for the common interest doctrine to apply to communications between an attorney, its client, and a third party business. Specifically, the communications must be: (1) "for the purpose of seeking legal advice;" (2) "indispensable to the provision of legal advice;" and (3) "intended to be confidential." Relying on an affidavit from Crane's attorney, the court found that Crane satisfied all three elements, and, as a consequence, the privilege applied to these communications.

The case is *Crane Security Techs., Inc. v. Rolling Optics, AB*, No. 14-12428-LTS, pending at the U.S. District Court for the District of Massachusetts.

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