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THE STATE OF PATENT AGENT PRIVILEGE AND ITS IMPACT ON MULTINATIONALS

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Overview

- Overview of Privilege In the United States
- In Re Queen's University
- In Re Andrew Silver
- International Implications
- Operating in a Global Environment with Multinationals

Three Main Applicable Privileges in the U.S.

- Attorney-client privilege
  - Generally protects confidential communications between a client and lawyer for the purpose of rendering legal advice
  - Clients expect and assume that communications with their legal representative are privileged
- Work product doctrine
  - Generally protects certain things done in anticipation of litigation
  - Fed. R. Civ. Proc. 26(b)(3); *Hickman v. Taylor*, 329 U.S. 495 (1947); *US. v. Nobles*, 422 U.S. 225 (1979). *See also, US. v. Martha Stewart*, 287 F. Supp. 2d 461 (S.D. N.Y. 2003).
  - Ordinary work product vs. opinion work product (mental impressions, strategies, etc., of the lawyer)
  - Not absolute; possible to discover ordinary work product in certain circumstances, but opinion work product is rarely discoverable

3 Main Applicable Privileges in the U.S.

- Patent agent privilege (recently recognized by Federal Circuit)
  - Generally protects communications with non-lawyer patent agents within the scope of the patent agents' permitted activities before the USPTO
  - However, may not be recognized with respect to non-patent proceedings (In re Andrew Silver)
- The privileges do not protect facts

Patent Attorneys: Privilege Didn't Always Apply

- Members of the patent department were deemed "mere solicitors of patents who fall outside the privilege" and to function "less as detailed legal advisers than as a branch of an enterprise founded on patents"
  - United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Ma. 1950)
- Attorney-employees of patent departments "do not 'act as lawyers'…when largely concerned with…the general application of patent law to developments of their companies and competitors"
  - Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792 (D. Del. 1954)
- Patent attorney "acts as a conduit between his client and the Patent Office…attorney-client privilege is absent"
  - Jack Winter, Inc. V. Koratron Company, Inc., (N.D.Cal. 6-30-1970)

Privilege issue now largely resolved for patent attorneys

- The "preparation and prosecution of patent applications for others constitutes the practice of law".
  - *Sperry v. Florida,* 373 U.S. 379 (1963)
- Rejection of the theory that patent attorneys are "mere conduits" to the PTO, and confirming that communication to a patent attorney is privileged "as long as it is provided to the attorney 'for the purposes of securing primarily legal opinion, or legal services, or assistance in a legal proceeding'".
  - *In Re Spalding Sports Worldwide, Inc*, 203 F.3d 800 (Fed. Cir. 2000), *quoting Knogo Corp. v. United States*, 213 USPQ 936, 940 (Cl. Ct. 1980) and *Sperry v. Florida*, at 379

Applicability to Patent Agents

Patent Agents are licensed under and governed by Federal Law

- Title 35 of the United States Code provides that the United States Patent and Trademark Office has the authority to govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office. 35 U.S.C.§2(b)(D)
- 37 CFR 11.6(b): "Agents. Any citizen of the United States who is not an attorney, and who fulfills the requirements of this part may be registered as a patent agent to practice before the Office."

Applicability to Patent Agents Background

Question: If Patent Agents are subject to the same qualifications for admission to the US Patent Bar and to the same ethical rules as lawyers before the USPTO, should *Sperry* also apply to Patent Agents?

- **Some courts said No**
  - ***Burroughs Wellcome Co. v. Barr Labs., Inc.*, 143 F.R.D. 611, 616-17 (E.D. NC 1992), *quoting Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1169 (D. SC 1975)**
  - ***Agfa Corporation. v. Creo Products*, (D. Ma. 2002) Civil Action No. 00-10836-GAO**
  - ***E.I. du Pont de Nemours & Co. v. MacDermid, Inc.*, (D. NJ 2009) Civil Action No. 06-3383 (MLC)**
- **Some courts said Yes**
  - ***In re Ampicillin Antitrust Litigation*, 81 F.R.D. 377, 393-94 (D. DC 1978)**
  - ***Mold Masters Ltd. v. Husky Injection Molding Sys., Ltd.*, Case No. 01 C 1576 (N.D. Ill. Oct, 19, 2001)**
  - ***Polyvision Corporation v. Smart Technologies., Inc.*, Lead Case No. 1:03-CV-476 (W.D. Mi. 2006)**
- **Federal Circuit had not ruled on the question**

Pre-In Re Queen's University Activities

Agent Activity	Privileged? A-C Communication	Privileged? Work-Product Doctrine
Patentability Searches	No in some jurisdictions – Only safe harbor is when acting as agent of attorney	No
Advice regarding whether to patent	Same as above	No
Patent Application (Prep & Pros)	Same as above	Probably not (must have link to expected/actual litigation)
Appeal	Same as above	Same as above
Ex parte review	Same as above	Same as above
Inter partes review (own) Inter partes review (3rdP)	Same as above No – Must be as agent of attorney	Same as above Maybe – this may be construed as actual dispute
Freedom to operate review	No – Must be as agent of attorney	Maybe – depending on facts (landscape analysis -- No)

In Re Queen's University at Kingston, PARTEQ Research and Development

Background

- In *In re: Queen's University at Kingston, et al.* (No. 2015-145) Queen's University sued Samsung in the Eastern District of Texas in January 2014 for infringement of patents related to smartphone user interfaces.
- During discovery, Queen's University asserted patent-agent privilege for communications about the prosecution of the patents-in-suit between university employees and patent agents not working under attorney supervision.
- The district court determined that there was no privilege for such communications, and ordered the university to produce the documents.

Issue on Appeal

- The Federal Circuit granted *mandamus* review after finding that:
  - (1) patent-agent privilege is an issue that splits the district courts,
  - (2) the issue is one of first impression for the Federal Circuit, and
  - (3) the issue involves a detrimental potential loss of confidentiality.

Federal Circuit's analysis

- The Federal Circuit exercised its authority under Rule 501 of the Federal Rules of Evidence to determine whether a patent-agent privilege was appropriate, relying on "reason and experience."
- The majority pointed out that Supreme Court has construed patent agents' activities as constituting the practice of law.
  - In *Sperry v. State of Florida ex rel. Florida Bar*, 373 U.S. 379 (1963), the Supreme Court found that "the preparation and prosecution of patent applications for others constitutes the practice of law."
- The majority pointed out that Congress has authorized patent agents' activities.
  - "A lack of privilege would hinder communications between patent agents and their clients and undermine the Congressionally-designed freedom of choice between agents and attorneys."

Federal Circuit's analysis

- Furthermore, Congress has delegated to the Commissioner of Patents authority over lawyers and agents representing applicants before the Patent Office.
- "To the extent, therefore, that the traditional attorney-client privilege is justified based on the need for candor between a client and his or her legal professional in relation to the prosecution of a patent, that justification would seem to apply with equal force to patent agents."

In Re Queen's University at Kingston, PARTEQ Research and Development

- In a 2-1 decision in *In re Queen's University at Kingston, et al.*, 820 F.3d 1287, 1301 (Fed. Cir. 2016) by J. O'Malley and joined by J. Lourie (J. Reyna dissenting), the Federal Circuit recognized "a patent-agent privilege extending to communications with non-attorney patent agents when those agents are acting within the agent's authorized practice of law before the Patent Office."
- The privilege applies only to those communications "reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the [Patent] Office involving a patent application or patent in which the practitioner is authorized to participate."

In Re Queen's University at Kingston, PARTEQ Research and Development

- The Federal Circuit noted that the attorney-client privilege exists to "encourage full and frank communication" between attorney and client and "thereby promote[s] broader public interests in the observance of law and administration of justice."
- The "patent-agent privilege furthers the same important public interests as that of the attorney-client privilege."

Queen's: Dissenting Opinion

- Judge Reyna argued that the majority failed to overcome a presumption against creating a new privilege by showing that the privilege either (1) advances a public interest or (2) solves a pressing need.
- The public's need for open discovery outweighs the need for the privilege.
- Agents hold no professional status akin to lawyers.

Queen's: Dissenting Opinion

- The majority provided a direct response to the dissent and noted especially re the last point above:

(1) The Supreme Court's characterization of patent agents' activities in Sperry;

(2) Congress's clear intent to establish a dual track for patent prosecution;

(3) The Patent Office's requirement that patent agents have a technical or scientific degree and pass an extensive examination on patent laws and regulations; and

(4) The Patent Office's imposition of specific ethical obligations on agents, including the duties of candor, good faith and disclosure, and requirement of compliance with the Patent Office's Rules of Professional Conduct which conforms to the Model Rules of Professional Conduct of the American Bar Association.

Limitations of the Patent-Agent Privilege

- 37 C.F.R. § 11.5(b)(1) provides:
  - "Practice before the Office in patent matters includes, but is not limited to, preparing and prosecuting any patent application, consulting with or giving advice to a client in contemplation of filing a patent application or other document with the Office, drafting the specification or claims of a patent application; drafting an amendment or reply to a communication from the Office that may require written argument to establish the patentability of a claimed invention; drafting a reply to a communication from the Office regarding a patent application; and drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to or any other proceeding before the Patent Trial and Appeal Board, or other proceeding [as in *inter partes* review before the USPTO]."

Limitations of the Patent-Agent Privilege

- Out of Scope: Communications in which a patent agent provides an opinion on the validity of another party's patent related to potential litigation or purchase or sale of a patent, or in which a patent agent provides an opinion on infringement.

Post-In Re Queen's University Activities

Agent Activity	Privileged? A-C Communication?	Privileged? Work-Product Doctrine?
Patentability Searches	Yes	No
Advice regarding whether to patent	Yes (But caution with respect to trade secrets)	No
Patent Application (Prep & Pros)	Yes	Probably not (must have link to expected/actual litigation)
Appeal	Yes	Same as above
Ex parte review	Yes	Same as above
Inter partes review (own) Inter partes review (3rdP)	Yes No – Must be as agent of attorney	Same as above Maybe – this may be construed as actual dispute
Freedom to operate review	No – Must be as agent of attorney	Maybe – depending on facts (landscape analysis -- No)

In re Andrew Silver

- Fifth District Court of Appeal in Dallas ruled on a petition to vacate the trial court's order to produce communications between a patent agent and client, 05-16-00774-CV, 2016 WL 4386004, at *2 (Tex. App.—Dallas Aug. 17, 2016).
  - State law contract dispute (money owed under licenses to Tabletop Media)
  - Patent agent not acting under direction of an attorney
  - Two types of communications in documents at issue
    - Pertaining to patent prosecution
    - Pertaining to commercialization of the client's technology

In re Andrew Silver

- Majority opinion – Refused to recognized agent client privilege and therefore upheld lower court's order to produce all communications
  - Rationale
    - For state law matters, Texas lower and intermediate courts can only recognize privileges "…grounded in the Texas Constitution, statutes, the Texas Rules of Evidence, or other rules established pursuant to statute…"
    - Not its place to declare or create common law discovery privileges.

In re Andrew Silver

- Who's place is it?
  - Texas Supreme Court
  - Was the majority really just setting this up for the higher court to rule?
- Implications:
  - This case creates a dichotomy in the application of the patent agent-client privilege.
    - Recognized in federal causes of actions
    - Not recognized in state causes of actions
  - Until the Texas Supreme Court weighs in on this case:
    - Include attorneys in communications (as before)
    - If in litigation, seek some sort of federal cause of action

International Situations

- Which country's law applies?
  - Most U.S. courts use choice-of-law analysis
    - Consider the "contacts" with the U.S. (*See, e.g.*, *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 520 (S.D.N.Y. 1992).)
    - Consider issues such as "whether the client is domestic or foreign, and whether the foreign patent agent was working on foreign patent matters or assisting in efforts to obtain a United States patent." (*Id.*)

International Situations

- Choice-of-law analysis
  - Most U.S. courts apply the "touching base" standard:
    - "[A]ny communications touching base with the United States will be governed by the [U.S.] federal discovery rules while any communications related to matters solely involving [a foreign country] will be governed by the applicable foreign statute." (*Id*. (quoting *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1169-70 (D.S.C. 1975).)
    - Considers which country has the most compelling or predominant interest in whether the communications should remain confidential. (*See Astra Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92, 98 (S.D.N.Y. 2002).)
      - This is typically either the place where the allegedly privileged relationship was entered into or the place in which that relationship was centered at the time the communication was send. (*See id*. (citing *Golden Trade*, 143 F.R.D. at 533).)

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International Situations

- Touching Base Standard
  - "[C]ommunications by a foreign client with foreign patent agents 'relating to assistance in prosecuting patent applications in the United States' are governed by American privilege law whereas communications 'relating to assistance in prosecuting patent applications in their own foreign country' or 'rendering legal advice ... on the patent law of their own country' are, as a matter of comity, governed by the privilege 'law of the foreign country in which the patent application is filed,' even if the client is a party to an American lawsuit." (*Golden Trade*, 140 F.R.D. at 520 (quoting *Duplan*, 397 F. Supp. at 1170-71).)
  - "Communications that relate to legal proceedings in the United States, or that reflect the provision of advice regarding American law, "touch base" with the United States and, therefore, are governed by American law, even though the communication may involve foreign attorneys or a foreign proceeding." (*Gucci America, Inc. v. Guess?, Inc.*, 271 F.R.D. 58, 65 (S.D.N.Y. 2010).) "Conversely, communications regarding a foreign legal proceeding or foreign law "touch base" with the foreign country." (*Id.*)

International Situations

- Touching Base Standard
  - Exceptions exist:
    - *E.g.*, *Astra Aktiebolag*, 208 F.R.D. at 102 (finding that U.S. privilege law applies despite the fact that under the touching base analysis, Korean law should apply)
      - The court made its determination because, while Korean law did not provide for attorney-client privilege and work product protections, discovery under Korean law does not compel production of such material, and therefore such protections are not needed
      - Not uncommon for non-U.S. jurisdictions not to have privilege protections where those jurisdictions do not have discovery to compel them

What is Protected?

- Lack of Uniformity Across Jurisdictions
- U.S. System
  - Know the applicable law of the specific U.S. jurisdiction:
    - Subject matter test (more common)
      - Communications privileged where employees disclose information within the scope of their duties and at the direction of their supervisors for the purpose of the corporation receiving legal advice
    - Control group test (less common)
      - Communications privileged if the employee is a high-level employee authorized to act on the company's behalf

What is Protected?

- U.S. System (cont'd)
  - The particular role being played by an attorney may matter:
    - *E.g.*, in-house counsel typically must be acting in a legal role, and not as a business advisor
      - Some courts use a "primary purpose" test to determine whether the communication was primarily legal or primarily business. *See, e.g.*, *In re Vioxx Prods. Liab. Litig.*, 501 F. Supp. 2d 789 (E.D. La. 2007) (document prepared for review by both legal and non-legal personnel was not privileged because not prepared primarily for legal advice).

What is Protected?

- U.S. System (cont'd)
  - New U.S. Patent Agent Privilege
    - Federal Circuit now recognizes non-lawyer patent agent privilege (*In re Queen's Univ. at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016))
    - State courts may not recognize privilege – *In re Andrew Silver,* 05-16-00774-CV, 2016 WL 4386004, at *2 (Tex. App.—Dallas Aug. 17, 2016)

What is Protected?

- U.S. System (cont'd)
  - U.S. Patent Agent Privilege
    - The scope of the privilege is limited to the patent agent's permitted activities practicing before the USPTO, *e.g.*:
      - preparing and prosecuting any patent application
      - consulting with or giving advice to a client in contemplation of filing a patent application or other document with the Office
      - drafting the specification or claims of a patent application
      - drafting an amendment or reply to a communication from the Office that may require written argument to establish the patentability of a claimed invention
      - drafting a reply to a communication from the Office regarding a patent application
      - drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to or any other proceeding before the Patent Trial and Appeal Board, or other proceeding

What is Protected?

- U.S. System (cont'd)
  - U.S. Patent Agent Privilege
    - Scope also includes those tasks "which are reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the Office involving a patent application or patent in which the practitioner is authorized to participate."

What is Protected?

- U.S. System (cont'd)
  - U.S. Patent Agent Privilege
    - Examples of things that fall outside the patent agent privilege: "communications with a patent agent who is offering an opinion on the validity of another party's patent in contemplation of litigation or for the sale or purchase of a patent, or on infringement."

What is Protected?

- Other Countries
  - Canada
    - Similar protections to U.S. attorney-client privilege
    - Now recognizes patent agent privilege
      - Amendments to its Patent Act went into effect June 23, 2016
      - Extends patent agent privilege not only to Canadian patent agents, but also may extend to foreign patent agents where such agents enjoy such a privilege in their own countries (*See* Bill C-59)

What is Protected?

- Other Countries (cont'd)
  - Australia
    - Similar protections to U.S. attorney-client privilege
    - Regarding patent agents: similar statute (section 200 of the Patents Act of 1990, as extended by the Intellectual Property Laws Amendment (Raising the Bar) Act of 2012) to that in Canada
      - Communications (or records or documents) made for the dominant purpose of a registered patent attorney (not the same as a lawyer) providing intellectual property advice to his or her client is privileged in the same way as such a communication would be between a legal practitioner and client would be.
      - This extends to foreign attorneys who are authorized in their own countries to perform the same sorts of things as Australian patent attorneys.

What is Protected?

- Other Countries (cont'd)
  - United Kingdom
    - Similar protections to U.S. attorney-client privilege
    - Protection exists for UK patent attorneys/agents
  - Germany
    - Provides strong protections for privileged communications, including those with German lawyers and German patent agents
      - This has been recognized by US district courts (*see, e.g.*, *Golden Trade*, 143 F.R.D. at 524; *Cadence Pharms., Inc. v, Fresenius Kabi USA, LLC*, 996 F. Supp. 2d 1015, 1022 (S.D. Cal. 2014).)

What is Protected?

- Other Countries (cont'd)
  - Japan
    - Amended its Code of Civil Procedure to provide greater protections for communications involving bengoshi (registered attorneys) or benrishi (registered patent attorneys), similar to attorney-client privilege
      - This has been recognized as a matter of comity in at least some US district courts (*see, e.g.*, *Eisai Ltd. v. Dr. Reddy's Labs., Inc.*, 406 F. Supp. 2d 341 (S.D.N.Y. 2005))

What is Protected?

- Other Countries (cont'd)
  - France
    - Has an evidentiary privilege that requires "industrial property attorneys" to "observe professional secrecy." *Commissariat a l'Engergie Atomique v. Samsung Elec. Co.*, 245 F.R.D. 177, 182 (D. Del. 2007).
      - Industrial property attorneys "must be independent from other professions and commercial influences and may only associate with or report to supervisors, persons, or entities within their profession." *Id*. at 186.
      - Therefore, in-house counsel, as employees corporations, do not have the necessary independence to assert the privilege (unlike advocats employed by law firms or industrial property attorneys employed by entities consisting of their profession). *Id*. at 187.

What is Protected?

- Pitfalls
  - Beware of issues with in-house counsel
    - Communications between a company and its in-house counsel may not be protected by EU legal privilege (*See Akzo Nobel v. European Commission*)
    - German law may not protect communications with in-house counsel, as they may not be sufficiently independent.
    - Swedish law generally does not protect communications with in-house counsel.

What is Protected?

- Pitfalls (cont'd)
  - Some countries have "professional secrecy" obligations, but these are not as protective as the American attorney-client privilege
    - *See, e.g.*, *In re Rivastigmine Patent Litig.*, 239 F.R.D. 351 (S.D.N.Y. 2006) (finding that, despite Swiss patent agent's professional secrecy obligation, a judge could require disclosure of the confidential material where the interest in disclosure outweighed the interest in confidentiality)

Questions?