

# Patent agent privilege? Yes, but be careful!

A recent decision from the Federal Circuit recognises a privilege between non-attorneys patent-agents and their clients under certain conditions. **Philippe Signore** reviews the limits of this patent-agent privilege, as well as those of the attorney-client privilege, within the context of the discovery phase of a US litigation

## 1 MINUTE READ

The Federal Circuit recognised a privilege for communications between non-attorney patent agents and their clients when those agents are acting within the agent's authorised practice of law before the Patent Office. However, communications that are not reasonably necessary to the prosecution of patents before the Patent Office, such as invalidity and/or non-infringement opinions relative to third parties' patents, fall outside the scope of the patent-agent privilege. Such opinions could be privileged if prepared by an attorney, as long as they are not waived. While the patent attorney/agent privileges can provide protection from discovery under certain conditions, careful management of internal and external communications within a corporate context is necessary to prevent production of the communications during discovery.

The discovery phase of litigation in the US is notoriously expansive and intrusive. The Federal Rules of Evidence are broadly drafted to require each party to collect and produce to the other side a considerable amount of information covering a broad spectrum of topics. Recently amended Rule 26(b) provides that "[p]arties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case." Thus, an important exception to this broad discovery rule covers privileged matters.

Two types of privileged matters escape from production during discovery: attorney-client communications and attorney work-product. The former is the focus of this article and exists to encourage full and frank communication between counsellor and client. The latter generally applies to materials prepared by or for an attorney in anticipation of litigation and is intended to preserve the effective assistance of attorneys and others employed to help prepare a case for trial.

### The limited scope of the non-attorney patent-agent privilege

One question that remained open until recently in the patent litigation context was whether communications between non-attorney patent agents and their clients existed. The Federal Circuit, in a 2-1 split decision, recently answered the question in the affirmative, but noted important limitations.

## The limited scope of the attorney-client privilege

In contrast to the non-attorney patent-agent privilege, the attorney-client privilege is well established in American jurisprudence and can be traced back to British common law. The privilege, however, has a limited scope. In particular, it only covers communications between an attorney and her clients made confidentially for the purpose of obtaining or rendering legal advice.

Accordingly, facts are not privileged, even if they are embedded within a privileged communication. In other words, a party cannot avoid production of information establishing the existence of a fact relevant to the litigation

simply because that fact is mentioned in a privileged communication. Further, information obtained from third parties would not be privileged because they are not confidential to the client.

Importantly, non-legal advice, such as business advice or commentary, would not be privileged even when included within a communication between a client and its attorney. The privilege would attach only to communications made for the purpose of securing primarily legal opinion, or legal services, or assistance in a legal proceeding, and not communications made to further business decisions. Where the overall tenor of

the document suggests that it is a request for legal advice or services, the privilege attaches.

Waiver of the attorney-client privilege is another limit on the privilege. For example, sharing an initially privileged communication with a third party (without any community of interest being established) would likely waive the privilege. Similarly, when the client relies on the attorney's advice during litigation, any privilege is waived. Such a waiver may not be limited to the final communication between the attorney and her client, but could extend to the entire communication chain leading up to the final advice of counsel.

Specifically, in *In re Queen's University* (Fed Cir March 2016), the majority for the Court initially noted that "Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law." Op. at 4. Applying Federal Circuit law for the patent litigation at issue in the case, the Court recognised "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." Op. at 26.

The majority reasoned that its holding was consistent with Federal Rule 501, which states that common law governs a claim of privilege, unless provided otherwise by the US Constitution, a federal statute or Supreme Court precedent. In particular, the Court reviewed extensively two precedential Supreme Court decisions in *Sperry v State of Florida ex rel Florida Bar*, 373 U.S. 379 (1963), and *Jaffee v Redmond*, 518 U.S. 1, 8 (1996).

The Federal Circuit decision focused particularly on the Supreme Court's determinations in *Sperry* that the activities of patent agents before the Patent Office constitute the practice of law, and that Congress had authorised non-attorney patent agents to engage in such practice. For the majority, "the lack of a patent-agent privilege would hinder communications between patent agents and their clients, undermining the real choice Congress and the Commissioner have concluded clients should have between hiring patent attorneys and hiring non-attorney patent agents." Op. at 22.

The Court noted, however, the warning from the Supreme Court "that evidentiary privileges are not lightly created nor expansively construed, for they are in derogation of the search for truth." Op. at 3, citing *United States v Nixon*, 418 U.S. 683, 710 (1974). The decision then explicitly identified an important limitation on the scope of the patent-agent privilege:

Communications that are not reasonably necessary and incident to the prosecution of patents before the Patent

Office fall outside the scope of the patent-agent privilege. For instance, 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, are not "reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the Office." Op. at 25, citing Rule 11.5 of the Code of Federal Rules.

Thus, according to the decision, invalidity and non-infringement opinions prepared by non-attorney patent agents would not be privileged. Further, the court noted that "[n]ot only would such communications fall outside the scope of the patent-agent privilege, they likely would constitute the unauthorized practice of law." Op. at 25.

Another limit of the patent-agent privilege relates to the choice of law. As noted above, the *In re Queen's University* decision only recognised the existence of the privilege in cases falling within federal law. However, certain cases fall outside federal law. For example, a breach of contract case would fall under state law, and the law of each state would then govern. In *In re Andrew Silver* (Dallas Ct App, August 2016), the Texas court refused to recognise the existence of a patent agent privilege under Texas law in a breach of contract dispute and ordered the production of invention disclosures communicated from the client to its patent agent.

### Managing communications within a corporate environment

#### Working with non-attorney patent agents

Corporations have a choice between hiring patent attorneys or non-attorney patent agents. In fact, the *In re Queen's University* decision explicitly acknowledged that choice and recognised the non-attorney patent agent privilege partly to keep this

## While the privileges between patent agents/attorneys and their clients can provide some protection from disclosure during the discovery phase of a US litigation, these privileges have significant limits

choice meaningful, especially for “independent inventors who may not have the resources to hire a patent attorney to maintain the privilege.” Op. at 22, footnote 7. However, the Court also expressly identified the limits of patent agent privilege and stated unambiguously that opinions prepared by patent agents on the validity of third parties’ patents and/or infringement issues are not privileged because such opinions “are not reasonably necessary and incident to the prosecution of patents before the Patent Office.” Op. at 25. Therefore, corporations desiring such opinions would be advised to work with patent attorneys on such matters, or with patent agents who are supervised by patent attorneys.

The court’s emphasis on excluding from the scope of the patent-agent privilege any communication that is “not reasonably necessary and incident to the prosecution of patents before the Patent Office” is interesting in the non-US context. Specifically, the question of whether non-US non-attorneys patent agents benefit from a privilege is often raised. While a few district court decisions can be found on point from various jurisdictions, without much uniformity in their analysis, the Federal Circuit has not addressed the issue directly. However, the *In re Queen’s University* decision suggests that the Court would not recognise such a privilege for communications relating to the validity of third party patents and/or infringement issues. Further, US courts would likely not find a privilege for a foreign patent agent/attorney opining on US patents/patent law, as those individuals are not authorised under US law to provide legal advice regarding US law.

### Internal corporate communications

Internal corporate communications are generally not privileged (unless they involved an attorney as discussed further below). While they may be confidential, they will need to be produced to the other side if they are relevant to the litigation. Their confidentiality may keep them from being reviewed by the adverse party’s employees, but not from its outside counsel. Thus, non-privileged confidential information can be used by the other side to make its case during litigation. It is thus advisable to educate all employees to use caution when communicating internally. In the patent context, all employees should refrain from making admissions relative to infringement or strength of third parties’ patents and to invalidity or weaknesses of their own patents. An initial oral communication might be preferred

over an email or a memorandum, in order to put in place the proper lines of communications that will facilitate a later claim of privilege for documents.

Corporations sometimes follow the strategy of copying an attorney (corporate or outside) on any and all internal communications in hope of creating a privilege, even when the communication is unrelated to legal advice but is instead directed to business matters. This strategy is a double-edged sword. During discovery, the presence of an attorney on the communications may initially keep the communications from being produced to the other side. The litigation attorneys would recognise the presence of the attorney and would claim a privilege, identifying the communications on their log of privileged documents. This strategy may work if the other side does not object to the privilege claims. However, if the other party challenges the privilege claims upon reviewing the log, and if the judge later determines that these communications are not privileged, either because the privilege was waived or the communications were not made for the purpose of obtaining or rendering legal advice (but are instead more business-related or technical in nature for example), the judge would force production of these documents. If the judge determines the claim of privilege was abusive, the judge could become biased against the party claiming the privilege and could even order sanctions. Thus, a better practice would be to claim privilege only for those communications relating to legal matters.

Another question for managing corporate communications relates to which corporate employees may receive a privileged communication without waiving privilege. Generally, courts recognise privileged communications between a corporation’s attorney and its control group, i.e. those vested with authority both to seek legal advice and to participate significantly in the response to that advice. Courts also recognise a privilege for communications between the corporate attorney and another employee, where the communications are made at the direction of the employee’s superiors in the corporation, concern a subject matter upon which the attorney’s advice is sought by the corporation, and relate to the performance of the employee’s employment duties. In practice, the line can be difficult to draw and the applicability of the privilege can be hard to prove by the party claiming it. It is thus advisable to circulate privileged information within a corporation on a “need to know” basis.

Yet another question for internally managing privileged information relates to whether or not to mark documents with the word “privileged”. Such marking generally have no impact on the privilege status of the marked document. In other words, such a marking, in and of itself, does not render the document privileged. Similarly, not marking a privileged document does not render it not-privileged. Marking privileged documents is, however, advised for a practical reason. During discovery, a marked document is less likely to be produced by mistake. The litigation attorneys reviewing thousands, if not millions, of documents under time-pressure to filter out privileged and non-relevant documents will appreciate seeing such a marking and will more likely place the document in the “do not produce” pile. This practice works

as long as the marking is applied only to documents for which a claim of privilege is reasonable. Otherwise, a party may find itself in the uncomfortable situation having to either (a) produce documents marked “privileged” and explain why it is not waiving any privilege or (b) defend an unreasonable claim of privilege to a judge, thus facing the same negative consequences discussed above.

### External corporate communications

A privileged communication can lose its privileged status when communicated externally to third parties. For example, during due diligence for an acquisition, the target company may want to communicate an invalidity and/or non-infringement opinion of counsel with its potential acquirer. In a later litigation against either the target or the acquirer, the patentee may argue that the privilege associated with the opinion was waived. In managing such waivers, two aspects should be kept in mind: the means to possibly avoid such waivers, and the scope of such waivers.

### Common interest

If a corporation holding a privilege shares a legal interest with the third party, then a waiver can be avoided in limited circumstances. Importantly, such a “common interest” exception to waiver of privilege is not uniformly applied by all courts. This lack of uniformity is in part due to the fact that the question of whether and when privilege has been waived does not relate to substantive issues but rather to the actions of the parties, and thus implicates regional circuit law, as opposed to the Federal Circuit law. Courts agree, however, that the communications must still satisfy the basic requirements of the attorney-client privilege, i.e., they must be made confidentially with attorneys for the purpose of obtaining or rendering legal advice. Under the common interest doctrine, the requirement of confidentiality is extended to include the parties sharing the common interest. Courts, however, can require that communications between the parties be made in the presence of the attorneys in applying the common interest doctrine. Some courts require proof of a common interest though the existence of a written agreement. Thus, in practice, a written common interest agreement is preferred, although not always required. Courts can also emphasise the need to take steps to ensure that the confidentiality be maintained after the communications between the parties. Thus, it may be advisable to execute a detailed and comprehensive non-disclosure agreement between the parties of the common interest agreement.

Some courts also require that litigation be ongoing, threatened, or anticipated for the common interest doctrine to apply. Other courts extend the common interest doctrine to situations where the parties to the agreement seek legal advice to meet legal requirements, facilitate the administration of justice, and ultimately avoid litigation. Many cases limit the doctrine to commonly shared legal interest rather than only a commonly shared economic, financial or commercial interest. For example, courts may find communications between a patentee

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and its licensee to share the required legal interest. By contrast, such courts may find a waiver for negotiations between a patentee and *potential* licensees. Other courts relax the doctrine to include situations where the interest is primarily commercial or financial.

### Waiver

When a privilege is waived, either by sharing the privileged information with a third party or relying on it in court, for example as a defence to a wilful patent infringement charge, the scope of the waiver becomes an important consideration. The waiver may not be limited to the communication being shared, such as final patent infringement and/or validity analyses by counsel shared during a due diligence or a license negotiation, but may extend to all other communications relating to the same subject matter. Thus, the waiver may capture the entire chain of communications leading to the ultimate opinion of counsel. For that reason, clients are often advised to communicate with their attorneys carefully, by assuming that their communications may ultimately be discoverable even if initially privileged. Oral discussions of sensitive matters are also preferred over written letters and emails that are much more readily discoverable.

### Careful management necessary

While the privileges between patent agents/attorneys and their clients can provide some protection from disclosure during the discovery phase of a US litigation, these privileges have significant limits. The privileges are in fact narrow and fragile exceptions to the general rule rendering discoverable most information relevant to a particular litigation. Careful management of internal and external communications within a corporate context is thus necessary to prevent production of the communications during discovery.



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