Privilege and Well Beyond: Patent Agents and In-House Counsel

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But First:
Two Books to Give Away…

- Most obscure question: Who wrote the song “Billboard on the Moon”?
- Still quite obscure question: Who wrote the song “Werewolves of London”?
- Not obscure at all and I’ll be dang unhappy if I have to ask this one: Who wrote the song “Born to Run”?

Who is Your Client and What are You Authorized to Do?

Choice of Law

Joint Development: Common Interest Privilege or Joint Clients?

Patent Agent: Privilege or Unauthorized Activity?

In-House Counsel: Bigger Problems Than Patent Agents?

Choice of Law for Privilege

This Can be Outcome Determinative

Federal Circuit's Law if Issue is Unique to Patent Law

Yes: Federal Circuit Law Applies	No: Regional Circuit Law Applies
"Invention record" from inventor to counsel to determine patentability and whether to file. *Spalding* (2000). Does inequitable conduct constitute a "crime or fraud" for exception to privilege. *Spalding* (2000). Patent agent-client privilege. *Queen's University* (2016).	Communications from licensee's attorneys to licensor about prosecution of foreign counterparts. *Regents* (1996)

In re Silver (Tex. Ct. App.) (Pet. Pending)

- Facts unclear, but plaintiff sued for breach of contract, contending he owned patent.
- Defendant moved to compel production of emails between plaintiff and patent agent who had prosecuted application.
- Court: *Queen's U* inapplicable to state law claims.
- No state privilege, so no privilege over 300 emails.

Isn't Relevancy Irrelevant?

- Why does privilege turn on (a) whether communication is relevant to later litigation, or (b) whether state law creates that claim?

- My *amicus*: Parties didn't address choice of law, but Texas law says don't admit evidence privileged somewhere else, if there's good reason not to.

But… for Now, Choice of Law Can Determine Privilege

- Patent prosecution firms need to know how to use patent agents appropriately, or no protection.
- In-house counsel need to be aware of risks created by outside counsel using patent agents.
- Litigators need to know how to attack privilege.

Beyond Patent Agents

- And: Much like patent agents, in-house counsel living in a state where not licensed need to know (and outside counsel need to be aware) of risks – privilege loss and more.

Shared Prosecution: Common Interest Privilege or Joint Clients?

Regional Circuit Law Applies?

Common Cooperation Clause in Prosecution Contracts

- You're counsel (in-house or outside) for Client A.
- You're prosecuting applications for Client A.
- Client A & Party B have a shared prosecution agreement. (Joint development; license; other forms). It has this clause:

  "Client A shall manage and have the primary responsibility to file, prosecute, and maintain the patent applications, but Party B shall have reasonable opportunity to comment and advise on office actions, prosecution, and other filings."

- Party B has its own lawyers representing it.

You Do Your Job

- You send Party B's lawyers emails and updates, as required, and often you label them "privileged and confidential."
  - Common interest privilege allows for privileged communications to be shared with non-client if non-client shares a common "legal" interest.
- All is good.

What's this look like?

You discuss with your client how to respond to rejection

You send highly confidential, privileged email to Party B's lawyers with your suggestion & request for input

Party B's lawyers discuss your proposal with their client.

Party B's lawyers respond

You file response

What's Everyone's(?) Goal?

PRIV

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PRIV

Party B's lawyers respond

You file response

But then one day….

- You see that Party B has done something “wrong.”
- Example: an application publishes that, you think, claims subject matter that rightfully belongs to your client, but the application names only Party B inventors.

Suppose…

- You're prosecution counsel, and you take corrective action at USPTO.
  - But then… Party B sues you for breach of fiduciary duty because, it says, that you also represented it, not just Client A.
- Your firm shows up to represent Client A in the lawsuit against Party B.
  - But then… Party B moves to disqualify your firm because, it says, you were also Party B's lawyers.
- In both matters, you object to producing your communications with your client.
  - But Party B moves to compel, saying you jointly represented it & Client A.

DePuy Orthopaedics v. Orthopaedic Hosp.

- In-house lawyer of Client D.
- Client D has joint development agreement with Party O.
- Client D's lawyer prosecutes applications.
- Dispute develops, and Party O moves to compel all communications between lawyer and Client D about the applications.
- Client D concedes there is a common interest privilege, but asserts its lawyer never represented Party O, so not joint clients.
- Court: Client D's in-house lawyer represented both it and O, so joint clients so no privilege.

What's that mean?

PRIV

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PRIV

Party B's lawyers respond

You file response

Max Planck v. Wolf Greenfield

- WG Firm files application, representing Whitehead while getting input from Max Planck, represented by its own lawyers.
- Dispute develops, and suit is filed.
- Max Planck asserts it was also a client and (a) moves to disqualify WG Firm and (b) sues it for breach of fiduciary duty.
- Court holds WG Firm had represented both parties.
  - Disqualified from representing long-time client.
  - Suit proceeded.
    - *Built-in conflict (can you agree to follow order of only one of two clients??)*
    - *Firm eventually got out on statute of limitations grounds.*

Two Things are Going Wrong: Thing One

Courts conflate common interest exception with joint clients

Common Interest	Joint Client
Client A can share info with non-client Party B, but no waiver because of common legal interest.	If a lawyer represents two clients, neither can claim privilege in fight between them.

Two Things are Going Wrong: Thing Two

Courts rely on rule about whether lawyer represents **a** client to imply an attorney client relationship when issue is does lawyer represent an additional client.

In contrast, some courts recognize implying additional relationship requires different analysis because it may create a conflicts.

What to do

In future: In joint prosecution agreements, include a clause stating the parties want common interest privilege, but neither lawyer represents the other party.

In existing relationships….?

Patent Agents

If Privilege Exists, it is Limited to "Practice Before the Office"

The Prior(?) Split on Patent Agent-Client Privilege

Privilege Same as Attorney: "The fact that the applicant might employ a patent agent for certain aspects of prosecution is irrelevant."

No Privilege: Agents are "mere solicitors of patents" and like "employees with legal training who serve in… the claims department of an insurance company."

- So: attorney-client privilege covers agent communications to client only if attorney "supervises" agent.

CAFC *Queen's University:* 2-1 Panel Resolves Split

- "Reason and experience" and these factors support privilege:
  - Role of patent agents;
  - Congressional recognition to act;
  - *Sperry* characterized agents as "practicing law;" and
  - "current realities of patent litigation."

USPTO

- Since-repealed PTO Code had required patent agents not disclose info “protected by the… agent-client privilege”
  - Official Comments stated: “privilege is applicable… to communications” between clients and patent agents.
- USPTO studying…

Sperry Creates Line of "Practice Before the Office"

- Patent agents can prepare and prosecute applications even though they are not lawyers and even though the "preparation and prosecution of patent applications for others constitutes the practice of law."
- But "sanctions only the performance of those services which are reasonably necessary and incident to the preparation and prosecution of patent applications."

Under *Queen's U* Privilege is Limited to "Practice Before the Office"

- Majority: scope of privilege is "coextensive with the rights granted to patent agents by Congress."
- Dissent: patent agents should hire lawyers to advise them on scope of privilege.
- And: *Silver* recreates split.
- **And**: if it's not authorized then it's the unauthorized practice of law which can be a crime.

The Easy Ends of the Spectrum

A Patent Agent Can't:

- Draft a will
- Appear in court
- Draft contract to sell a business
- File TM application

A Patent Agent Can:

- Write an application
- Write claims
- Respond to office actions
- Conduct a patentability search and opine on patentability

Which Side of the Line?

USPTO Says Agent Can:

Advise client to "consider the advisability of relying upon" protecting the IP through something other than patents (trade secret, *etc.)*

Can an Agent:

Explain the pros and cons of trade secrets, *etc.*?

- States have said no.

Which Side of the Line?

USPTO Says Agent Can:

- Draft an assignment for a client the agent is representing before the Office if agent "does no more than replicate the terms of a previously existing oral or written obligation of assignment from one person or party to another person or party."

So Agent Can't:

- Advise who owns an invention; draft an assignment other than as replicating an existing one.
  - *States have so held.*

Wait: how can agent competently determine if an assignment is legally effective, and so is safe to "replicate"?

Opinions from Agents: Which Side of the Line Depends on Client's Purpose

Whether a patent agent can give an opinion depends upon the client's purpose in seeking it, and maybe the forum where it will be used.

Authorized Purpose?

- Client asks whether issued or allowed claim covers competitor's product to know, *e.g.*, whether to file CON.
  - Competency/authority: agent can advise on BRI; *Phillips*?
- Same question, but client wants to know whether to sue for infringement.
  - Not authorized, even though apparently competent to do so?

Authorized Purpose?

- Client asks agent whether its product infringes someone's patent, or whether that patent is valid.
- For litigation?
- To file an IPR?

What if client then relies on opinion in litigation?

What to Do

Without clear rules and even then… to the extent practicable, Agent should be “supervised” by an attorney.

What's Supervision?

- Simply having a formal line of reporting is not enough.
- Acts expressly done at the direction of an attorney are enough.
- In between:
  - fact-intensive inquiry;
  - the case of the secretary who knew everything.

In-House Counsel

Same Issues as Patent Agents?

In-house Counsel

- Suppose in-house lawyer lives in, not licensed in, a state, and prosecutes for employer.

- Could get state license, or comply with state's certification (aka registration) requirement (if available; more in a moment).

Without State Certification

- Because of in-house counsel's USPTO registration, state can't stop her from advising anyone to the extent advice is "practice before the Office."

- So, the same limitations – "practice before the Office" -- would apply.

2015 Illinois Opinion

- Lawyers, but not licensed in Illinois, were prosecuting for corporate employer.
- Proper only if services did not “stray from the Patent Office niche that permits them to practice law in Illinois without a license.”
- Otherwise must (a) get Illinois license or (b) use in-house registration process.

In-House Counsel State Certification

- Many states permit in-house counsel to represent their employer if they register, without actually becoming licensed by state.

- Is our patent prosecuting in-house counsel safe if she registers in the state where she lives and her employer is?

California

45. MAY I PROVIDE PERSONAL OR INDIVIDUAL REPRESENTATION TO ANYONE OTHER THAN THROUGH MY EMPLOYER?

No. You may provide legal services only to your employer. You are not permitted to provide personal or individual representation to any customers, shareholders, owners, partners, officers, employees, servants, or agents of your employer.

Virginia

"Any person employed in Virginia as a lawyer exclusively for a for-profit or a non-profit corporation, association, or other business entity, including its subsidiaries and affiliates, that is not a government entity, and the business of which consists solely of lawful activities other than the practice of law or the provisions of legal services ("Employer"), for the primary purpose of providing legal services to such Employer…"

New York

An attorney registered as in-house counsel under this Part shall:

provide legal services *in this State* only to the single employer entity or its organizational affiliates, *including entities that control, are controlled by, or are under common control with the employer entity*, and to employees, officers and directors of such entities, *but only on matters directly related to the attorney's work for the employer entity, and to the extent consistent with the New York Rules of Professional Conduct*…

Texas' **Policy** is… Unique.

- In-house counsel can practice in Texas if she has not, and files an affidavit that she will not… "render, to anyone except the corporation, any service requiring the use of legal skill or knowledge or perform any other act constituting the practice of law…."

Failed Amendment TX UPL Statute

- Would have amended statute to authorize lawyers not licensed here to give legal advice to their "employer *or any entity controlled by or controlling such employer*, and no one else…"
- Why? "A superficial review was made of the individuals listed in the Texas Lawyer Directory of General Counsel 2001, and approximately 15% of the more than 1000 listed individuals appeared not to be licensed by the State Bar of Texas."
- Amendment "would legitimize the current, widespread use" of in-house house counsel.

So, what if…

- Lawyer employed by Corporation A gives design around advice to:
  - its wholly owned subsidiary, or its parent?
  - a 50/50 (or less) joint venture?
  - “Party B” to Client A’s agreement?

It depends….

	VA	CA	NY	TX
Advises 100% Parent or Sub	Yes	No	Yes, if directly related and in NY.	Maybe?
Advises minority-owned/owner	Yes	No	No	Maybe?
”Advises” Party B	No	No	No	No

Consequences: Bad News, Good News... But More Bad News

- Bad: Lots of warnings in in-house materials that exceeding registration means no privilege.
  - If advice from patent agent about non-patent matters is not privileged, then
    - If not state-registered, should be no privilege;
    - If exceed scope permitted by state, should be no privilege.
- But (so far), courts often say that, so long as client thought in-house counsel was authorized to give the advice, privilege subsists.
- But: many other problems (e.g., fee division with corporation).

Thanks!

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