

Nike's Comments In Response To The USPTO's Request For Comments On Domestic And International Issues Related To Privileged Communications Between Patent Practitioners And Their Clients

I. Summary Of Nike's Position

Nike supports the adoption and implementation of national and international standards that recognize privilege for communications between patent agents/practitioners and their clients made in connection with practice before a patent office. A common privilege framework would simplify the patent-related practices of today's modern businesses, particularly multinational corporations like Nike, that obtain and enforce patent rights on a global scale.

The problems that arise from the inconsistent application of privilege to agent-client communications are not unique to large corporations like Nike. They create uncertainty and risk that are difficult for any size businesses to assess and manage. Attempts to address the problems through internal company policies or practices have created significant inefficiencies and expense in obtaining patents. In addition, litigating agent-client privilege issues has increased the cost of litigation and placed additional burdens on the judicial system. The advantages of applying privilege to agent-client communications far outweigh any disadvantages.

II. Background Regarding Nike

Nike is the world's leading manufacturer, designer, and distributor of athletic footwear, apparel, equipment, digital devices, and accessories. Nike's sports footwear and apparel brand is the number one brand in the world, realizing sales of \$27.7 billion in 2014. We have 56,500 employees worldwide. In 2014, Nike's co-founder Bill Bowerman was inducted into the National Inventor's Hall of Fame.

In addition to Nike's own global team of in-house patent attorneys and patent agents/practitioners, we also work with outside patent attorneys and patent agents in the United States and in certain foreign countries to secure, maintain and enforce our patent rights. Over the years, Nike has obtained thousands of U.S. and foreign patents to protect a wide variety of technologies, including product components, features, manufacturing techniques, and industrial designs. In the United States alone, Nike is the assignee of nearly six thousand patents and patent applications. Nike's patent portfolio is ranked number one by the Patent Board in the Consumer Products category (2013, 2014). We also vigorously protect our patents against infringement worldwide.

III. Nike's Response to the USPTO's Request for Public Comment

A. The Inconsistent Application of Privilege to Patent Agents Creates Uncertainties and Risks for Businesses

Adopting a common standard for recognizing privilege in agent-client communications and protecting those communications from disclosure in judicial proceedings makes sense on multiple levels. It is well-recognized that a communication between a patent attorney and a client for the purpose of seeking or providing legal advice in connection with a patent application is privileged. Yet, the same communication, if sent by or to a patent agent, may or may not be privileged. This is because the laws of each jurisdiction, in the United States and in foreign countries, are different. Without a clear and uniform global standard to determine whether the agent-client communication will be protected from disclosure during a judicial proceeding, a company that uses a patent agent to obtain a patent faces uncertainty and risk if that patent is ever the subject of litigation or a contested proceeding.

For example, the inconsistent application of privilege by U.S. courts can lead to a situation where an agent-client communication, deemed privileged under the laws of one jurisdiction, can still be subject to discovery by an opposing party because the laws of yet another jurisdiction do not recognize privilege for the same communication.

When the patent owner is the party initiating the litigation, a jurisdiction that recognizes the privilege may be chosen. But if a patent challenger is initiating the litigation, for example, to seek a declaratory judgment of invalidity or noninfringement, a jurisdiction that does not recognize the privilege may be chosen. It makes no sense to expose a business to needless uncertainty and risk that their communications with patent agents may be discovered during litigation depending on where suit is filed.

A company's communications with its patent agents in connection with practice before a patent office should be protected by the same privilege rules that apply to communications with patent attorneys. Patent agents often work alongside patent attorneys and often have the same responsibilities. Agents draft and prosecute patent applications before the patent office, and they advise clients on prosecution strategy. In many countries, including the United States, agents must fulfill the same, or more, requirements as patent attorneys. But, although attorney-client communications regarding patent practice are privileged, the application of privilege to agent-client communications is uncertain and highly dependent on the jurisdiction where the patent is being litigated. When an agent is doing the same type of work on matters before a patent office as his or her attorney counterpart, the agent's communications with the client deserve, and should receive, the same protections from disclosure in judicial proceedings as the attorney's communications.

The failure of the courts to uniformly recognize privilege for agent-client communications is also contrary to the goal of promoting full and frank disclosure of information between a client and its legal advisors. Like other areas of practice, a client is better served in the patent application process when the client feels free to disclose all relevant information, both good and bad, and to seek and obtain informed advice as issues arise. Businesses may be reluctant to candidly share their concerns and seek advice for fear of losing confidentiality because they work with a patent agent rather than a patent attorney. By recognizing privilege for agent-client communications, full and frank disclosure will be promoted and clients will receive more accurate and more fully informed advice.

B. The Inconsistent Application of Privilege to Patent Agents Creates Inefficiencies and Increases Costs for Businesses

The inconsistent application of privilege to agent-client communications has increased the cost of obtaining patents for many companies. To reduce the risk that a company's communications when obtaining a patent will not be protected from disclosure in litigation, many companies work solely with patent attorneys. This drives up the cost of obtaining patents because patent attorneys are almost always more expensive to employ than patent agents.

For companies that use both patent attorneys and patent agents, many involve a patent attorney in most, if not all, patent applications handled by an agent. This approach tends to create inefficiencies by adding extra internal administrative steps and, as a result, drives up the cost of obtaining patents. For companies that file large numbers of patent applications, the resources and money spent on covering these added costs can be substantial and could be better devoted to research and development, hiring more employees, or other investments. These expenses can be especially taxing for small businesses.

The ability to use patent agents without fear of losing protection for their communications also has the potential to increase access to the patent system by those that cannot afford a patent attorney. Patent agents tend to be more affordable and, in many instances, can provide the same level of service as patent attorneys. A business, or an individual, should not be required to base their decision about applying for a patent on whether it can afford a patent attorney over a patent agent.

C. The Inconsistent Application of Privilege to Patent Agents Increases the Cost of Litigation and Increases Burdens on the Judicial System

The inconsistent application of privilege to agent-client communications increases the cost of litigation and increases the burdens on the judicial system. Parties in patent litigation frequently dispute whether privilege applies to a particular set of

agent-client communications, particularly documents exchanged between the agent and client. When the dispute cannot be resolved, for example, because of the uncertain state of the law on privilege as applied to agent-client communications, extensive motion practice often ensues. This undesirably shifts the focus of the litigation away from the merits and results in time-consuming and expensive collateral litigation on the issue of privilege that rarely proves to be productive. Yet, it can be a potent weapon wielded by an accused infringer seeking to distract from the merits and increase its adversary's litigation expenses.

The determination of whether privilege applies to agent-client communications also clogs the courts, which are already overburdened. Courts often are called upon to spend significant time reviewing the parties' motions to compel, and at times must review hundreds of documents *in camera* to determine whether privilege applies to each. The application of privilege to agent-client communications would reduce the time and judicial resources spent on patent cases, which are already complex enough.

D. The Advantages of Applying Privilege to Patent Agent-Client Communications Outweigh the Disadvantages

The application of privilege to agent-client communications may limit discovery in some cases. But any disadvantages resulting from the loss of information in discovery are far outweighed by the advantages.

As noted above, the application of privilege to agent-client communications will encourage the full and frank disclosure of information between patent agents and clients. With a uniform standard that recognizes privilege for such communications, businesses will feel free to involve more patent agents, thereby reducing patent-related costs. As a result, businesses and individuals that may not be able to afford a patent attorney can hire and work with patent agents without fear that their patent-related communications are not protected by privilege. Further, parties in litigation will likely spend less time in extensive motion practice to determine whether privilege applies to

such communications, thus reducing litigation costs to the parties and burden on the courts.

IV. Conclusion

A common privilege framework makes sense in the modern global economy, where all businesses must consider how their activities in the world market can affect their current and future patent rights. Uniformly applying privilege to agent-client communications would make the practice of patent law more predictable, efficient and less expensive for all businesses, it would encourage full and frank disclosure of facts relevant to patent practice, and it would reduce the burden of litigating privilege issues in the courts. Therefore, Nike supports the adoption and implementation of national and international standards that recognize privilege for communications between patent agents/practitioners and their clients made in connection with practice before a patent office.