

# Possible Adoption of a Legal Representation Privilege in Matters Before the Patent Trial and Appeal Board

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In Response to 80(161) Fed. Reg. 50720 (August 20, 2015)

## Introduction

These comments are submitted pursuant to the Notice that appeared in 80(161) Fed. Reg. 50720 (August 20, 2015). Among other matters, that Notice solicited comments on whether the Patent Trial and Appeal Board (“PTAB”) should adopt a special privilege rule dealing with communications involving domestic and/or foreign patent counsel. This document sets forth my comments.

As a bit of background, I have been involved with the broad issue of attorney-client privilege in patent matters since early 2008. I have followed the discussion as it has evolved over the years, and participated in the AIPPI/AIPLA/FICPI joint colloquium discussing the proposed treaty held in Paris, France in 2013. I also presented a paper on this topic at the World Congress of AIPPI in Toronto in September 2014. Most recently, I was a member of the panel discussing the issue at the February 2015 Roundtable hosted by the Patent Office.

While I am keenly interested in the privilege issue being debated, I have no financial or other interest in how the issue is ultimately resolved. I am not, and never have been, a patent agent. Nor do I represent clients likely to seek client-agent communications in discovery. While I do work at the University of Louisville—an entity that owns and licenses numerous patents—I am not submitting these comments on behalf of the University. Nothing here should be interpreted as representing the views of the University of Louisville. My interest in the privilege question is purely academic.

In brief, I strongly support adoption of a form of attorney-client privilege for intellectual property-related communications between legal counsel and clients. The privilege should be as broad as the ordinary attorney-client privilege. It should cover not only U.S. patent agents, but also foreign legal representatives. While the best solution would be a privilege that applied in all legal tribunals—not only the PTAB, but also federal and state courts—adoption of a privilege only for the PTAB would be a valuable first step toward this goal.

These comments address four topics: (1) brief overview of problems arising under current law, (2) potential benefits of adopting a privilege in PTAB proceedings, (3) suggested wording for a privilege, and (4) CFR amendments necessary to implement the proposed privilege.

### 1. Overview of Problems Arising Under Current Law

Until the 1970s, courts were hesitant to apply the attorney-client privilege to communications involving prosecution of a patent. Today, however, all courts agree that prosecution-related communications with an attorney are fully protected by the attorney-client privilege. The law is less settled when patent agents (used here to refer to someone licensed to practice only before the USPTO, not before a state bar) are involved. A majority of courts treat U.S. patent agents the same as attorneys, and apply the attorney-client privilege in full to patent-related communications between agents and clients. However, there remain a few courts that do not extend a privilege to patent agent communications. Although the reasons given for this refusal vary, one recurring rationale is that unlike attorneys, patent agents are not subject to the disciplinary authority of a state bar. Therefore, clients and legal counsel face some uncertainty

about whether a given communication will be protected from compelled disclosure in discovery or at trial.

This inconsistency creates real problems for both clients and legal counsel. One particular feature of the attorney-client privilege makes inconsistency on this issue a more serious concern than it would be for other evidentiary rules. The attorney-client privilege applies only while the underlying communication is kept private. Once the content of a particular communication is disclosed to others, the privilege is lost. Therefore, a litigant who manages to obtain discovery of a client-agent communication in one of the jurisdictions that does not recognize the privilege may cause the communication to lose its privacy. This loss of privacy effectively destroys the attorney-client privilege for that communication—for all time, and in all courts (including those courts that would have treated the communication as privileged prior to disclosure). Moreover, the same act of disclosure, and resulting loss of privilege, means that any other party may discover the content of the same communication. In effect, the minority of jurisdictions that do not allow a privilege for client-agent communications have a significantly disproportionate impact, as a single decision allowing discovery undermines the privilege across the entire nation.

These problems also affect international patent practice. Most inventors retain separate legal counsel in each nation in which they seek a patent. However, while the patents are technically separate, they involve the same basic invention—and accordingly the inventor will seek similar advice from each patent attorney or agent. This special situation creates an opportunity for someone seeking to discover patent-related communications. A crafty litigant seeking that information need only find the “weakest link”: the nation providing the least protection for the communication. By focusing the discovery effort on that particular client-counsel communication, the litigant can discover the basic content even though other nations would treat as privileged the other, highly similar, communications involving their agents.

These discrepancies between national laws and privilege rules exacerbate the uncertainty facing U.S. inventors. As in the domestic situation, that uncertainty may provide an incentive for a client to be less than completely frank with legal counsel. In the multinational context, it may also provide an incentive for clients to “cabin” their representative in each nation, so as to limit sharing of information. Any attempt to limit information, however, can have a negative affect on the patent process, which depends on full disclosure.

## **2. Potential Benefits of Adopting a Privilege Before the PTAB**

The Federal Register Notice indicates the Patent Office is considering a special privilege rule applicable to proceedings before the PTAB. Such a rule would resolve the inconsistency in disputes heard in that tribunal. Adoption of a privilege would benefit not only PTAB proceedings, but also the patent system in general.

The benefits to the patent system are fairly obvious. The attorney-client privilege encourages full and frank discussion during legal representation. Allowing patent-related communications to be discovered in court proceedings, or compelling patent agents to testify at trial, could harm the goal of full candor in patent representation. Some clients might accordingly

withhold certain types of information from patent agents. For example, a client who has invention-related trade secrets might be hesitant to disclose that information to patent counsel if there is a chance it could be obtained by others in discovery. Information not known to patent counsel by definition cannot be disclosed during the patent application. While external controls such as the USPTO's own disclosure requirements help ensure candor, the patent system needs rules that ensure clients feel free to disclose all relevant information to patent counsel, regardless of whether counsel is a patent agent or fully-licensed attorney.

Moreover, a clear privilege would negate any unintended incentive for clients to hire attorneys rather than patent agents. Under current law a client who places a premium on preserving confidentiality could be safe from discovery by hiring an attorney, a situation in which every court recognizes a privilege. However, this incentive is not necessarily desirable. If discrepancies in privilege rules have the unforeseen consequence of making clients prefer a more expensive or less effective legal representative, the patent system will operate less efficiently.

Adopting a privilege for all client-counsel communications would also have a potential benefit to the PTAB. The main benefit would be to minimize discovery disputes concerning marginally relevant matters. The content of communications between an inventor and a patent agent will ordinarily be of little (if any) relevance in PTAB adjudication. The PTAB is charged with making the objective determination of whether the invention is novel and non-obvious. That determination turns on the facts, not what the client or counsel may have said. But the attorney-client privilege protects only communications, not underlying facts. A party who seeks information about invention design can always obtain that information directly from the inventor. The privilege would only prevent the party from discovering what the inventor *told* the agent about the design, or what advice the agent gave to the client about the patent prosecution. In other words, while the underlying facts concerning the design may be highly relevant, what the client told the agent about the design, or what the agent advised about the prosecution, is ordinarily of little, if any, relevance to the PTAB.<sup>1</sup>

If any privilege is also extended to foreign legal counsel, the benefits to the PTAB would be even greater. Information about patent-related communications involving U.S. patent communications are, as shown in the prior paragraph, of scant relevance in a PTAB proceeding. Information about communications involving *foreign* patent applications is (if possible) of even less relevance. Again, while those communications may involve relevant issues such as prior art, discovery of the factual information necessary to make a prior art determination is available from other sources.

Therefore, a privilege rule applicable to PTAB proceedings would produce significant benefits to both the PTAB and the patent system. Admittedly, such a privilege would not entirely resolve the problems raised above. Because many challenges to patents will continue to

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<sup>1</sup> Considering the patent system as a whole, there is an important exception to the statement in the text; namely, claims of inequitable conduct. In an infringement action, proof the inventor told patent counsel not to disclose material prior art would result in invalidation of the patent. However, the PTAB's review of a patent does not extend to claims of inequitable conduct. Even if it did, the privilege probably would not protect such a statement. The attorney-client privilege has a "crime-fraud" exception, which would allow discovery of any statement intended to mislead the Patent Office.

be litigated in the district courts, the inconsistent privilege rules will continue to cause some uncertainty. However, a rule limited to PTAB proceedings is still a valuable first step. A carefully-thought out rule for the PTAB could prove the feasibility of extending the privilege to patent agents, and could eventually lead to adoption of a similar rule in not only in the federal courts, but also even in the state courts.

### 3. A Proposed Privilege

Language similar to the following might prove a workable privilege rule for PTAB proceedings (with important terms and concepts referenced by numbers in brackets, and discussed below):

All communications made in connection with advice provided by an intellectual property advisor[1] to a client, relating to patents, copyrights, design protection, and/or utility model protection[2] under the laws of the jurisdiction where the intellectual property advisor is authorized to provide advice, shall be privileged to the same extent[3] a communication involving a legal matter governed by United States law between an attorney licensed in the United States and that attorney's client would be privileged in civil proceedings in United States federal district courts. As used in this section, an "intellectual property advisor" is any person authorized to provide legal advice concerning patents, copyrights, design protection and/or utility model protection in the jurisdiction where that person ordinarily has his or her practice. If the communication in question involves an intellectual property advisor authorized to practice in a nation other than the United States, the privilege provided under this section will apply regardless of whether any sort of privilege would apply under the law of the nation where such advice was given[4].

[1] *Intellectual property advisor*. This particular term has been the subject of a great deal of discussion, most notably at the 2013 Paris Colloquium. Many at the Colloquium indicated they preferred to limit the privilege to people with a positive, explicit grant of authority, such as a license. That restriction seems unnecessary, and is accordingly not included in the proposal. The proposal would apply the privilege as long as it was legal for the person to provide advice, regardless of whether there is an explicit grant of authority. However, as the vast majority of nations *do* provide explicit authorization, adding language that restricted the privilege to licensed counsel would not cause significant harm.

The more important limitation arises in the definition of intellectual property advisor in the second half of the main sentence. The privilege should apply only to a communication that directly concerns intellectual property rights in the nation where that person is authorized to provide advice. In other words, while communications between a Brazilian patent agent and a client should be protected if they involve a Brazilian patent, they should not be protected if they involve a German (or any other nation's) patent, as the Brazilian agent is not legally authorized to provide advice for those foreign rights.

Note that the proposal would reject the “touch base” standard that U.S. federal courts apply when dealing with foreign intellectual property advisors. Under that standard, any advice that relates to a U.S. patent is not privileged, even if it also involves a foreign patent (and in fact, even if it primarily involves the foreign patent). The proposal basically reverses that standard: as long as the communication directly involves the foreign right, it is protected, even if it also happens to apply to a U.S. patent.

[2] *Intellectual property right in question not limited to patent.* The proposal would also extend to communications involving other forms of intellectual property rights, including copyrights, design protection, and utility models. This recognizes there may be alternate ways to protect a particular invention under both U.S. and (especially) foreign law. For example, a software programmer might be able to elect copyright protection for a novel program. In the case of product designs, many nations offer simpler forms of protection (more akin to a copyright) than the U.S. design patent. A client should not be faced with the loss of a privilege merely because her legal advisor was doing her job by exploring all possible avenues of protection. The proposal does omit trademark protection, as it is difficult to imagine how trademark related advice would be relevant in a PTAB proceeding.

[3] *Protected to the same extent.* The proposal essentially “piggybacks” on the well-developed U.S. case law concerning privileges. Basically, intellectual property advice is treated exactly like a communication involving domestic matters between a U.S. attorney and client. (The specification of “legal matters governed by United States law” is included to avoid the situation where an attorney opines on foreign law, which might not be protected by the privilege because it falls beyond the scope of the attorney’s license to practice.) The incorporated privilege includes not only the scope of protection, but also limitations (such as waiver) and exceptions (such as the crime-fraud exception).

[4] *Domestic protection irrelevant.* This sentence makes it clear that U.S. law applies exclusively. Many courts today use a choice of law approach, asking whether foreign law recognizes any sort of a privilege. This approach has a serious conceptual flaw. Many nations do not allow for discovery. A nation that lacks a discovery process really has no need for a law of privilege. A court that looks to foreign law for something resembling a privilege may conclude no such doctrine exists, completely overlooking the practical fact that there is no way to compel the legal advisor to testify in the first place.

#### **4. Necessary Amendments to the CFR**

The Federal Register Notice also asked about possible amendments to 37 CFR to implement a privilege. Assuming a privilege along the lines of that proposed above, the following changes would be necessary:

Location of privilege. Probably the best spot for the privilege itself would be in 37 CFR § 42.62. I would recommend adding a new subsection (e) to this section with whatever language is adopted.

37 CFR 42.51: Amend the third sentence of § 42.51(b)(2) to read (additions underlined):  
“The moving party must show that such additional discovery is not protected by the privilege set out in § 42.62(e), and in the interests of justice ...”

37 CFR 42.52: Add a new subsection 42.52(a)(3) that reads: “In the case of communications, demonstrate the communication is not protected by the privilege set out in § 42.62(e).” (Note this change is not absolutely necessary, as a party could raise the privilege issue by seeking a protective order.)

37 CFR 42.55: No changes necessary.

37 CFR 42.62: In addition to adding a new subsection (e) with the language of the privilege, two amendments to 42.62(b):

(i) Amend caption to read “Exceptions and modifications.”

(ii) Add a sentence to the end that reads, “The rules governing privilege shall apply as modified by subsection (e).”

37 CFR 42.64: No changes necessary.

These changes should alert counsel to the privilege.

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Thank you for the opportunity to comment on the various issues relating to the attorney-client privilege and patent agents. I hope these comments are of some use as the USPTO continues to consider this matter.