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NEW YEAR, NEW PRIVILEGE: PATENT AGENTS GAIN PROTECTION

A first-ever patent agent-client privilege is in town, and it changes the litigation discovery landscape. Molding U.S. Supreme Court precedent, the Federal Circuit in March 2016 made patent agents' work subject to attorney-client privilege in *In re: Queen's University at Kingston*.[1]

The Privilege Pathway

Queen's University filed a patent infringement suit in the Eastern District of Texas against Samsung alleging Samsung's SmartPause feature in its mobile phones infringed the university's patents. Throughout discovery, Queen's University withheld documents based on its assertion that communications between its engaged non-attorney patent agents and university employees were privileged.

Samsung moved to compel production of those documents, arguing the absence of privilege. The magistrate judge granted Samsung's motion, saying the attorney-client privilege did not apply to such communications and that a separate patent agent privilege did not exist. Queen's University filed an objection to the magistrate judge's order, which was overruled by the district court. Queen's University then filed a petition for writ of mandamus to the Federal Circuit.

The question of whether a patent agent privilege exists was an issue of first impression for the Federal Circuit, and it granted the writ to resolve a split among the district courts and to prevent further inconsistent development of this doctrine.

The Federal Circuit said there is a presumption against recognizing new privileges and cautiously turned to "reason and experience" to inform its decision.[2] It determined "the unique roles of patent agents, the congressional recognition of their authority to act, the Supreme Court's characterization of their activities as the practice of law, and the current realities of patent litigation counsel" favor recognizing an independent patent agent privilege.[3]

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1. *In re: Queen's University at Kingston, PARTEQ Research and Development Innovations,* No. 2015-145, 2016 WL 860311, --- F. App'x --- , (Fed. Cir. March 7, 2016).
2. *Id.* at 11.
3. *Id.* at 13.

"The Supreme Court's holding in *Sperry* emphasized that Congress has authorized, and continues to permit, the practice of law by patent agents when appearing before the Patent Office."

In reaching its decision to formally acknowledge a new privilege, the Federal Circuit largely focused on precedent from the Supreme Court as well as Congress's intent. First, the Supreme Court in *Sperry v. State of Florida ex rel. Florida Bar* decided "the preparation and prosecution of patent applications for others constitutes the practice of law."[4] The Federal Circuit reasoned, "[t]o 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."[5]

Second, and more importantly in the Federal Circuit's view, the Supreme Court's explanation in *Sperry* of why states may not regulate the practice of law by patent agents lent the most support to the Federal Circuit's recognition of a patent agent privilege. The Supreme Court's holding in *Sperry* emphasized that Congress has authorized, and continues to permit, the practice of law by patent agents when appearing before the Patent Office.[6]

The Supreme Court traced Congress's authority to regulate patent agents to as early as 1861.[7] In 1899, the Commissioner of the Patent Office began requiring registration of agents who practiced before it to curb "deceptive advertising and victimization of inventors" by non-attorney agents.[8] In 1922, the patent statute was amended to establish the patent bar and allowed the Commissioner to "prescribe regulations for the recognition of agents and attorneys."[9]

Also important to the Federal Circuit's decision to recognize a patent agent-client privilege was the fact that "Congress endorsed a system in which patent applicants can choose between patent agents and patent attorneys when prosecuting patents."[10] Refusing to recognize a privilege would "frustrate the very purpose of Congress's design: namely, to afford clients the freedom to choose between an attorney and a patent agent for representation before the Patent Office."[11]

The Federal Circuit also noted that patent agents enjoy a "*professional status*... that justifies [their] recognition of the patent-agent privilege," "must pass an extensive examination on patent laws and regulations and must have a technical or scientific degree before they may represent patent applicants before the Patent Office," and "have very specific ethical obligations imposed by the Patent Office."[12]

4. 373 U.S. 379, at 383 (1963) (holding that the activities of patent agents before the Patent Office constitute the practice of law and that states don't have the authority to regulate those activities).
5. *Queen's University,* at 14.
6. *Queen's University,* at 14-15 (citing *Sperry*, 373 U.S. at 379).
7. *Id.* at 15 (Congress first provided that 'for gross misconduct [the Commissioner of Patents] may refuse to recognize any person as a patent agent, either generally or in any particular case").
8. *Id.* at 15-16.
9. *Id.* at 16.
10. *Id.* at 18.
11. *Id.* at 19.
12. *Id.* at 23.

"The Federal Circuit's recognition of the patent agent privilege is 'coextensive with the rights granted to patent agents by Congress.'"

Samsung argued that none of the considerations set forth by the Supreme Court in *Jaffee v. Redmond*, 518 U.S. 1 (1996), in recognizing a psychotherapist privilege under Rule 501 support recognizing a patent agent privilege here.[13] The Federal Circuit disagreed for several reasons. First, Congress "clearly intended" to allow the Patent Office to authorize non-attorney patent agents to practice law before it, and there was no such congressional intent in *Jaffee*.[14] Second, the fact that the *Jaffee* Court relied on a unanimous consensus among the states to justify creating a psychotherapist privilege was irrelevant in this case due to the "uniquely federal character of the activities at issue here."[15] Third, the fact that the Judicial Conference Advisory Committee recommended recognition of the psychotherapist privilege, and that reinforced the unanimous consensus among the states, was not compelling because "it remains true that if the Advisory Committee does *not* recognize a privilege, 'that fact standing alone would not compel the federal courts to refuse to recognize a privilege.'"[16] Finally, the Federal Circuit found that the "analogies to the attorney-client and spousal privileges which the *Jaffee* Court discussed actually support [its] conclusion that the patent agent privilege is justified" because each privilege "is rooted in the imperative need for confidence and trust."[17]

Scope of the Patent Agent-Client Privilege

The Federal Circuit's recognition of the patent agent privilege is "coextensive with the rights granted to patent agents by Congress."[18] A client now has a reasonable expectation that all communications relating to "obtaining legal advice on patentability and legal services in preparing a patent application" will be kept privileged.[19] The burden of establishing the privileged nature of communications remains on the party asserting the privilege. Communications covered by the privilege include (but are 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;
- Drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to any other proceeding before the PTAB, or other proceeding.[20]

13. *Id. at 19.*
14. *Id. at 20.*
15. *Id.*
16. *Id. at 21.*
17. *Id. at 22.*
18. *Id. at 18.*
19. *Id. at 18.*
20. *Id. at 24.*

"The new patent agent privilege may also encourage corporations to hire in-house patent agents, since communications between employees and patent agents will now enjoy privilege protection."

Communications that are not "reasonably necessary and incident to the prosecution of patents" are not covered by the privilege.[21] The Federal Circuit gave the example of communications with a patent agent who is offering an opinion on infringement or validity of another party's patent in contemplation of litigation or for the sale or purchase of a patent are not "reasonably necessary and incident" to the preparation and prosecution of patent applications and, thus, are not privileged.[22] The Court also said this type of work by a non-attorney patent agent would likely constitute the unauthorized practice of law.

However, the list of what is included in the patent agent privilege is not exhaustive. Judge Jimmie Reyna's dissent cautions against the uncertainty of this new privilege, including determining whether the privilege applies in the first place.

Practical Considerations

It is no longer necessary to include a licensed attorney on communications between patent agents and clients to preserve privilege. Ceasing this practice may offer greater flexibility to law firms when staffing patent prosecution projects since a licensed attorney does not need to be included in communications.

An additional benefit to clients could be reduced costs associated with patent prosecution. Independent inventors who may not have the resources to hire a patent attorney could now maintain privilege with a less expensive patent agent. The new patent agent privilege may also encourage corporations to hire in-house patent agents, since communications between employees and patent agents will now enjoy privilege protection. Corporations should keep in mind that only communications "reasonably necessary and incident to the prosecution of patents" are covered by the privilege, and that communications between patent agents and employees that are not for the prosecution of patents will not be protected.

Patent agents contemplating the contours of this new privilege may be wondering whether they will be able to form their own patent prosecution firms and compete with law firms. The Federal Circuit did not answer this question but was, however, careful to note that while Congress never intended to "restrict practice by agents," it had intended to "prevent them from labeling themselves as 'patent attorneys'" and enacted legislation to prevent "deceptive advertising and victimization of inventors."[23] The Federal Circuit also made clear that only communications "reasonably necessary and incident to the prosecution of patents" are covered by the privilege.[24] Entrepreneurial patent agents looking to hang their own shingles should take precautions to restrict their work to prosecuting patents and avoid the unauthorized practice of law by, for example, not offering opinions on infringement or validity in contemplation of litigation or for the sale or purchase of a patent.

21. *Id.* at 25.
22. *Id.* at 25.
23. *Id.* at 16.
24. *Id.* at 25.