Fed. Circ. Patent Agent Privilege Rule To Lower Legal Costs

Articles

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Law360, New York-- The Federal Circuit's decision this week that some communications between patent applicants and nonlawyer patent agents are privileged gives agents far greater freedom to do their jobs and should lower the cost of patent law services, attorneys say.

Monday's **decision**, handed down in a case involving Samsung Electronics Co. Ltd., marked the first time the appeals court recognized patent agent privilege and resolved a long-simmering dispute. For decades, some district courts recognized the privilege, while others did not.

The uncertainty in the law had forced many parties to include a patent attorney, whose work is protected by attorney-client privilege, on any and all communications with a patent agent in order to ensure that some privilege is maintained.

That workaround is not necessary after Monday's ruling, which attorneys say marks a significant change in the legal landscape for patent agents, who are not licensed attorneys but are certified to prepare and prosecute patent applications before the U.S. Patent and Trademark Office.

The ruling "is long overdue, and settles once and for all a very serious split of authority among the U.S. district courts," said Peter Schechter of Osha Liang LLP, who added that "it just makes good sense" that patent agents, whose work constitutes the practice of law, should be protected by privilege.

Including patent attorneys on communications with patent agents just to preserve attorney-client privilege drives up the cost of preparing and prosecuting patent applications, he said, but under the ruling, "no longer will we need to unnecessarily involve attorneys in projects that are handled just as capably by patent agents."

"Not only is the Federal Circuit's decision good for patent law firms because it provides new flexibility in work assignment and staffing matters, it is also good for clients, as it may well result in lower total fees for patent law services obtained from patent law firms," Schechter said.

Patent agents are often an attractive option for applicants because they generally charge lower fees and have specialized technical expertise. However, the key drawback in hiring a patent agent rather than an attorney has been that agents' communications are not privileged in many districts, so judges could compel production of them in later litigation.

The Federal Circuit's recognition of patent agent privilege changes that calculus, making agents more appealing for clients and expanding the work they can do, attorneys say.

"The decision definitely opens up a lot of options for the use of patent agents who are not under the supervision of a patent attorney," said John McNelis of Fenwick & West LLP. "It allows patent agents to open up their own shop and clients can feel that this issue is not going to come back to haunt them."

An Unsettled Question

In decisions dating to the 1970s, the district courts had been split on whether patent agents have privilege, but the Federal Circuit had never addressed the issue until Monday. The appeals court took it up on a mandamus petition from Queen's University at Kingston in Ontario, Canada, which accuses Samsung smartphones of infringing its patents on technology that pauses a video when the user looks away from the screen.

An Eastern District of Texas judge granted Samsung's motion to compel the university to produce communications between employees of the university and patent agents discussing prosecution of the patents. The judge held that those communications are not privileged, but the Federal Circuit reversed.

"We find that 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 in favor of recognizing an independent patent-agent privilege," the court said.

The court was careful to note that the privilege it granted patent agents extends only to communications necessary to prosecute patents, which is all the law authorizes patent agents to do. Anything an agent does that falls outside the scope of that work, such as offering an opinion on the validity of another party's patent, is not privileged, the court said.

The question of whether or not a patent agent's work is privileged can be a crucial one in patent litigation, and usually arises when the defendant challenges a patent.

"After a patent has issued, an accused infringer may want to understand how the patent application was drafted and whether something went wrong in that process, in order to try to invalidate the patent or show that it's unenforceable," said Matthew Blackburn of Locke Lord LLP.

Ronald Cahill of Nutter McClennen & Fish LLP said he had worked on cases where privilege was the key issue in where the plaintiff decided to file suit. When the patent agent's communications with the client are important to the case, patent owners want to make sure they could not be produced in court, he said.

Since patent agent privilege was recognized only in some districts, "there were a limited number of places where we could bring the case to make sure the patent agent's communications were privileged," Cahill said.

The Federal Circuit's creation of a nationwide privilege for patent agents means that is no longer a consideration and that companies have greater flexibility to work with agents, he said.

"Sometimes a patent agent would really fit the bill, but you would have to worry about this privilege issue, and you don't have to worry about that now," Cahill said. "This decision does make it easier for clients to hire patent agents or work with a firm that uses patent agents."

Limited Privilege

Gregory Winsky of Archer PC, who was general counsel of Franklin Electronic Publishers Inc. for 25 years, said that the decision will likely encourage more businesses to hire patent agents.

"Since patent agents now get much the same protection as attorneys and don't get paid as much, I'd expect more patent agents to be employed by corporations and universities," he said.

However, the Federal Circuit's decision to limit patent agent privilege to communications related to patent prosecution opens the door to disputes in future cases about whether or not an agent's work fell within that scope and is subject to privilege, Winsky said.

"That's where people will fight about this," he said.

It's important for patent agents to understand that the privilege the Federal Circuit recognized is limited, so communication about anything beyond preparing an application is subject to being produced in court, McNelis said.

"My bottom line is that this decision does give greater protections, but there is a concern that it could give a false sense of security," he said.

Although clients may approach patent agents with questions about validity of another person's patent, agents are not supposed to offer such opinions by law, so it makes sense that privilege does not attach, said Robert King of Hunton & Williams LLP, who was a patent agent in the late 1990s.

"If the patent agent is doing things they're not authorized to do, there should be no privilege," he said.

Although the Federal Circuit's ruling came with a dissent, Charles Gorenstein of Birch Stewart Kolasch & Birch LLP said this may not be an issue the Supreme Court would take up, so businesses can rely on the holding.

"The biggest effect here is the certainty," he said. "The court has taken an issue that has been bouncing around the district courts for a time and let everyone know where the line is. We know where there is privilege and where there is not privilege, and certainty is good."

Queen's University is represented by Ian B. Crosby, Rachel S. Black and Shawn Daniel Blackburn of Susman Godfrey LLP.

Samsung is represented by Matthew Wolf, John Nilsson and Jin-Suk Park of Arnold & Porter LLP.

The case is In re: Queen's University at Kingston et al., case number 2015-145, in the U.S. Court of Appeals for the Federal Circuit.

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