

# PRIVILEGE ETHICS

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# PATENT AGENTS: PRIVILEGE

## Some History

- *Sperry v. State of Florida* (S.Ct. 1963) (recognizing that preparing patent applications is the practice of law, but State of Florida could not regulate non-attorney patent agent because activities are uniquely before the U.S. Patent Office)
- *In re Spalding Sports Worldwide* (Fed. Cir. 2000) (applying privilege to submission of invention records to corporate legal department for preparation of patent, because for the purpose of seeking legal advice)

# PATENT AGENTS: IN RE *QUEEN'S UNIVERSITY* (CAFC 2016)

- Queen's University (Ontario) spun off tech incubator PARTEQ, used patent agents for prosecution
- Queen's University sued Samsung, which sought discovery of communications between University employees and non-attorney patent agents
- Trial court found communications non-privileged, reasoning that there is no separate patent agent privilege
- Federal Circuit granted mandamus review

# PATENT AGENTS: *QUEEN'S UNIVERSITY* FED. CIR. 2016

## Competing public policies:

- General presumption against the recognition of new privileges
  - In derogation of search for the truth
  - Accountants: no privilege
  - “Jailhouse attorney”: no privilege
- Full and frank communications with attorney advisors
  - Promotes broader public interests in observance of law and justice

## Patent agent privilege recognized:

- Patent agents performing same tasks as attorneys
- Patent agents bound to professional standards, ethical requirements

# PATENT AGENT PRIVILEGE: SCOPE

## Limited Scope

- Covered tasks (*see* 37 CFR § 11.5(b)(1))
  - Preparing and prosecuting patent applications
  - Consulting with or giving advice to a client in contemplation of filing a patent application
  - Drafting communications for a interference, reexamination, petition, appeal, or any other proceeding before the PTAB
- “Communications between non-attorney patent agents and their clients that are in furtherance of the performance of these tasks, or ‘which are reasonably necessary and incident to the preparation and prosecution of patent applications or other proceedings before the Office involving a patent application or patent in which the practitioner is authorized to participate’ receive the benefit of the patent-agent privilege.”

# PATENT AGENT PRIVILEGE: PITFALLS

- Burden on party asserting the privilege
- If communication outside core duties, likely to lose status
- Robust dissent (Reyna, J.), suggesting tight regulation:
  - “truth is a weighty interest,” presumption against new privilege
  - Privilege cuts against duty of candor to the PTO
  - Not a pressing need, long-running practices have worked
  - Congress recognized limitations of agents in court, did not create a privilege
- Caution:
  - Beware mission creep
  - Recognize will NOT be privileged – opinion letters, litigation support, etc.
  - Patent agents may be first IP counsel to company, may find themselves drawn into wider array of issues
  - Include attorney advisor outside strict PTO practice

# DISQUALIFICATIONS:

## *DYNAMIC 3D GEOSOLUTIONS* (CAFC 2016)

- Issue: Scope of conflict taint
- Facts: Attorney Rutherford worked at Schlumberger in licensing and litigation, including as Director of IP and as Deputy GC
- She investigated competitor's "RECON" product for copyright suit; "RECON" was protected by competitor's '319 patent;
- Rutherford left Schlumberger, joined Acacia
- Shortly after joining Acacia, she:
  - met with inventors of '319 patent,
  - discussed acquisition of the patent
  - participated in telecon for selecting outside counsel
  - discussed Schlumberger's product as infringement target
  - Recommended buying patent and suing Schlumberger

**What could possibly go wrong?**

# *DYNAMIC 3D GEOSOLUTIONS: TAINT*

- Schlumberger promptly raised DQ issue (and separately sued Rutherford in state court for breach of confidence)
- District court found her prior work substantially related to the Acacia suit and found irrebutable presumption that she acquired confidential information, requiring her disqualification
- District court imputed the wrongfully acquired knowledge to all Acacia attorneys, disqualifying them, as well as outside counsel
- District court dismissed the case without prejudice



# *DYNAMIC 3D GEOSOLUTIONS:* CONFLICT OF INTEREST RULE

## **ABA Model Rule 1.9:**

(a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client ....

(c) A lawyer who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter shall not thereafter:

(1) Use information relating to the representation to the disadvantage of the former client

Federal Circuit found trial court's findings well supported that her work at Acacia was substantially related to her prior work for Schlumberger, and she used those confidences to Schlumberger's disadvantage

# *DYNAMIC 3D GEOSOLUTIONS:* IMPUTE CONFLICT TO ACACIA

## **ABA Model Rule 1.10**

- (a) While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 or 1.9, unless:
- (2) the prohibition is based upon Rule 1.9(a) or (b) and arises out of the disqualified lawyer's association with a prior firm, and
    - (i) The disqualified lawyer is timely screened from any participation in the matter....[and]
    - (ii) Written notice is promptly given to any affected former client

- Federal Circuit agreed that Acacia's in-house legal department should be treated like a firm, and imputed the conflict to them all
- Federal Circuit likewise imputed the conflict to outside counsel, based on evidence of communications of confidences

# *DYNAMIC 3D GEOSOLUTIONS:* CALL TO HONOR

Concurring opinion (Wallach, J.):

“In the law, as in life, it is best if one’s conduct is such that when accused of malefaction, the community responds as one that ‘Ms. or Mr. \_\_\_\_\_ simply doesn’t act that way.’ The standard is always aspirational for we are human, but if we do not strive to reach it, then perhaps we ought to consider that the game’s not worth the candle.”

Extreme case, but cautionary for employee mobility. What is ability to join NPE or plaintiff-side law firm and work in your industry? Waivers unlikely...

# *AUDIO MPEG V. DELL* (E.D. VA. 2016)

## SCREENS AND WAIVERS IN BIGLAW

- Attorney, while at Finnegan, represented Audio MPEG on extensive matters in PTO and in court
- Attorney moved to Winston & Strawn
- Winston & Strawn took on litigation adverse to Audio MPEG
- Attorney did not work on the matter
- Winston & Strawn did not seek a waiver from Audio MPEG
- At least one W&S attorney was in DC office, where conflicted attorney worked
- No evidence of actual disclosure of confidences

# *AUDIO MPEG V. DELL* (E.D. VA. 2016) SAME ETHICAL RULES AS DYNAMIC 3D:

## **ABA Model Rule 1.9:**

(a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client ....

## **ABA Model Rule 1.10**

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# *AUDIO MPEG V. DELL* (E.D. VA. 2016)

## APPEARANCE OF IMPROPRIETY

- District court weighed competing policies of allowing employee mobility against need to avoid appearance of impropriety
- No actual harm shown
- Key factor is that this appears to have fallen through the cracks in the screening process
- District court disqualified Winston & Strawn

“The growth of multi-jurisdictional practice by law firms coupled with the increased mobility of practicing attorneys places added pressure upon law firms to deal with the issues raised in these Motions. However, the traditional and well founded concept of the appearance of impropriety cannot yield to the added expense and inconvenience inherent in the enforcement of longstanding ethical concepts.”

# *APPLIED ASPHALT TECH V. SAM B. CORP* (D. UTAH 2016)

## PROSPECTIVE CLIENT PRIVILEGE

- In 2010, attorney pitched a case to assert patent for Ned Mitchell
- Some confidences exchanged
- Patent is subsequently assigned to Applied Asphalt
- Applied Asphalt sues Sam B. Corp, which engages attorney's firm for defense
- Suit is five years after earlier pitch meeting
- Applied Asphalt (joined by Mitchell) moves to disqualify based on discussions from prior pitch

# PROSPECTIVE CLIENT RULE (UTAH)

## Utah Rule of Professional Conduct 1.18

- (a) A person who consults with a lawyer about the **possibility of forming a client-lawyer relationship** with respect to a matter is a prospective client.
- (b) Even when no client-lawyer relationship ensues, a lawyer who has learned information from a prospective client **shall not use or reveal that information**, except as Rule 1.9 would permit with respect to information of a former client.
- (c) A lawyer subject to paragraph (b) shall not represent a client with interests materially adverse to those of a prospective client in the same or a substantially related matter if the lawyer received information from the prospective client that could be **significantly harmful** to that person in the matter, except as provided in paragraph (d). If a lawyer is disqualified from representation under this paragraph, **no lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in such a matter**, except as provided in paragraph (d) [provisions for consent and screening].

ABA Model Rule is similar. Not adopted in California.



# PROSPECTIVE CLIENT PRIVILEGE (CAL)

- There is no enacted California Rule counterpart to Rule 1.18,
- However, the duty to protect confidential information of a prospective client is found in Evid. Code Section 951
- See *also* Cal. State Bar Formal Opn. 2003-161

## California Evidence Code

### Article 3. Lawyer-Client Privilege

#### Section 951 “Client”

As used in this article, "**client**" means a person who, directly or through an authorized representative, **consults a lawyer for the purpose of retaining the lawyer** or securing legal service or advice from him in his professional capacity, and includes an incompetent (a) who himself so consults the lawyer or (b) whose guardian or conservator so consults the lawyer in behalf of the incompetent.

# *APPLIED ASPHALT TECH V. SAM B. CORP*

## “SIGNIFICANTLY HARMFUL” PRONG

- District court focused on whether confidences learned by attorney in pitch were “significantly harmful” to patentee
- Five years had elapsed since pitch meeting
- Memories were faded, and packet of disclosed information gone
- Plaintiffs failed to carry burden that lawyer received information that could be “significantly harmful” to plaintiffs
- Lawyer must turn over subsequently-found notes, and may have to withdraw if recollection refreshed of pitch meeting

# *ERFINDERGEMEINSCHAFT UROPEP V. BROOKSHIRE BROS.* (E.D. TEX. 2016) SUING FORMER CLIENT

- In prior GeoTag multidefendant case, Fish & Richardson represented Brookshire among 39 defendants
- Brookshire signed broad “advance waiver” in engagement letter
- Case settled as to Brookshire in Nov. 2013, with small work in 2014
- Fish engaged Uropep in March 2015, and ran conflict check against Brookshire as potential defendant in May 2015
- Fish sent Brookshire termination letter in May 2015
- Fish kept sending Brookshire client alerts, webinar invites, etc.

## *ERFINDERGEMEINSCHAFT UROPEP*

- Engagement letter: “engagement is limited solely to the one matter captioned above [the GeoTag case], the patent-in-suit, and we do not represent Brookshire Brothers on any other matters absent an additional agreement in writing signed by both parties, whether related or not.”
- GeoTag case involved “store locator” functions, geopositioning
- New case adverse to Brookshire related to pharmacy dispensing of drug
- Confidences received by Fish during GeoTag case were limited, and case settled before discovery commenced
- Court found that cases were not substantially related, so no DQ
- Declines to rule on advance waiver, noting their “dubious validity, at least where the precise nature of the prospective conflict is not spelled out with scrupulous care”

THANK YOU & QUESTIONS?