Exploring Common Pitfalls of Privilege

Wednesday, July 20th

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Meet The Speakers

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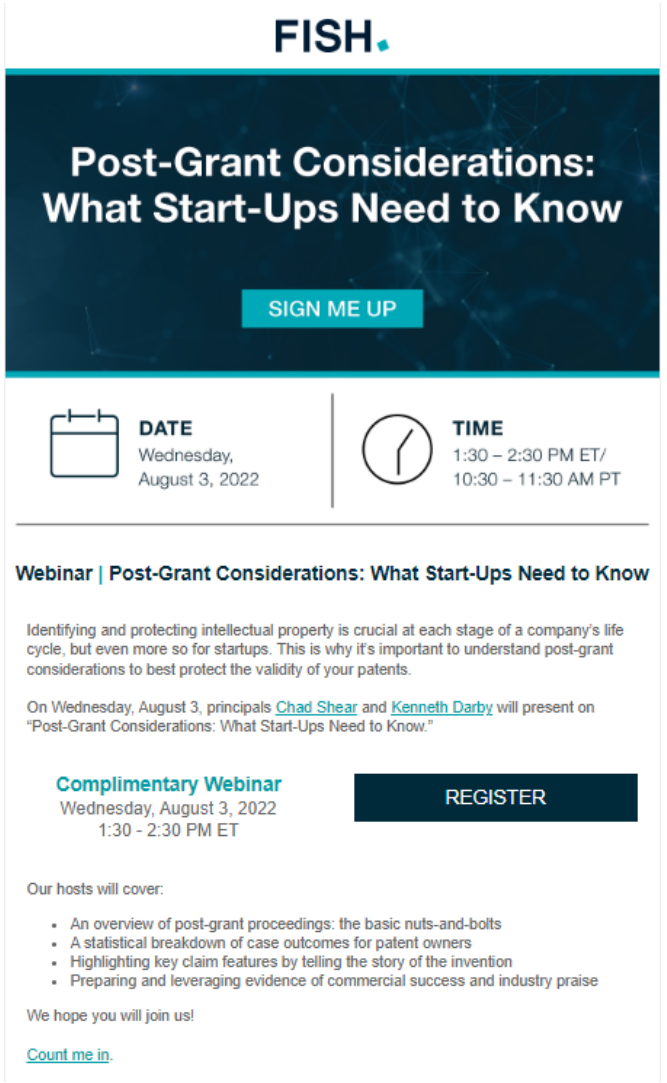
Overview

- **Housekeeping**
  - CLE
  - Questions
  - Materials
    - http://www.fr.com/webinars



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Post-Grant Considerations: What Start-Ups Need to Know

SIGN ME UP

DATE
Wednesday,
August 3, 2022

TIME
1:30 – 2:30 PM ET/
10:30 – 11:30 AM PT

Webinar | Post-Grant Considerations: What Start-Ups Need to Know

Identifying and protecting intellectual property is crucial at each stage of a company's life cycle, but even more so for startups. This is why it's important to understand post-grant considerations to best protect the validity of your patents.

On Wednesday, August 3, principals Chad Shear and Kenneth Darby will present on "Post-Grant Considerations: What Start-Ups Need to Know."

Complimentary Webinar
Wednesday, August 3, 2022
1:30 - 2:30 PM ET

REGISTER

Our hosts will cover:

- An overview of post-grant proceedings: the basic nuts-and-bolts
- A statistical breakdown of case outcomes for patent owners
- Highlighting key claim features by telling the story of the invention
- Preparing and leveraging evidence of commercial success and industry praise

We hope you will join us!

Count me in.

Agenda

- Definitions of attorney-client privilege and attorney work product
- Waiver of privilege and scope of the waiver
- Common interest privilege and maintaining privilege during diligence
- Patent agent privilege and potential pitfalls
- Issues surrounding privilege in foreign jurisdictions

Attorney-Client Privilege and Work Product

Privileges

- **Attorney-Client Privilege; Fed. R. Evid. 502**
  - Confidential communications between attorneys and clients concerning legal advice are privileged under the doctrine of attorney-client privilege

- **Attorney Work Product Privilege; Fed. R. Civ. P. 26(b)(3)**
  - Party's documents and notes – including those of the parties' representatives and attorneys – made primarily in anticipation of litigation are privileged under the work product doctrine.

Privileges – Attorney-Client

- **Protects communications going from the attorney to the client and from the client to the attorney**
- **Designed to allow full disclosure and communication between attorneys and their clients**
- **Controlled by the client – but we need to be the guardians**

- **Requirements – must be:**
  - Communication – oral or written
  - Made between privileged persons
  - In confidence at time of communication; cannot do this retroactively
  - For the purpose of seeking, obtaining, or providing legal assistance to the client

- **IF these conditions are satisfied, then the communication typically need not be disclosed to third parties in litigation**

Waiver

- **Several types (most bad)**
  - Purposeful disclosure
  - Compelled disclosure (subpoena)
  - Careless disclosure
  - Inadvertent (this tends to be more curable)
  - Conveyance to third parties

- **Once waived, or breached, privilege cannot be resurrected.**

Privileges – Attorney-Client

> What we've actually been asked to do (by Larry and Sergei) is to investigate what technical alternatives exist to Java for Android and Chrome. We've been over a bunch of these, and think they all suck. We conclude that we need to negotiate a license for Java under the terms we need.

- **Email from senior engineer to vice-president marked CONFIDENTIAL**
- **No lawyer involved – communication not privileged**
- **Communication could be (and was) used during litigation**

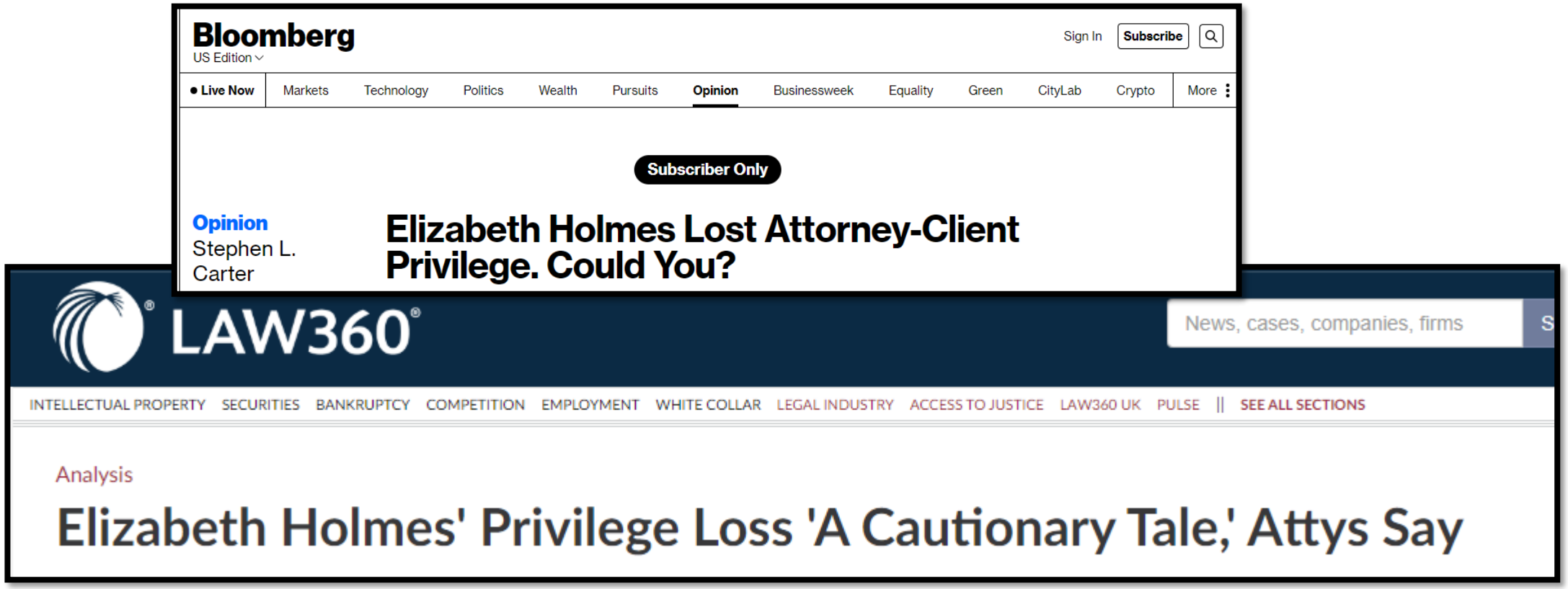
RCHFU v. Marriott Vacations Worldwide

- ***RCHFU v. Marriott Vacations Worldwide,* 2018 U.S. Dist. LEXIS 198355 (D. Colo. May 23, 2018)**
- **Case type: Breach of fiduciary duty, constructive fraud, unjust enrichment**
- **Plaintiff moved to compel the production of a unredacted version of the strategic plan memorandum to the Corporate Growth Committee on multiple grounds, including that the memorandum was not or not completely legal advice so the attorney-client privilege does not apply**
- **Colorado law applied**
- **Difference between business and legal advice was highlighted:**
  - "Business communications are not protected merely because they are directed to an attorney, and communications at meetings attended or directed by attorneys are not automatically privileged as a result of the attorney's presence."
  - "The corporation must clearly demonstrate that the communication in question was made for the express purpose of securing legal not business advice." (internal quotations omitted)

Epic Games, Inc. v. Apple Inc.

- ***Epic Games, Inc. v. Apple Inc.*, No. 4:20-cv-05640-YGR (N.D. Cal. Apr. 28, 2021)**
- **Case type: Antitrust**
- **Apple clawed back three documents as being inadvertently produced, asserting they were privileged**
- **Court rejected Apple's privilege claims**
  - For one email, the Court noted "It is entirely a business discussion, and nothing in it sounds remotely like a request for [the attorney's] legal advice, or for [the attorney] to say anything at all. This is a clear example of business people including a lawyer in an email chain in the incorrect belief that doing so makes the email privileged. It does not."
- **Another withheld document was a draft presentation that purportedly "reflects the legal advice that they provided to Apple business people in connection" with the program described in it**
  - "Lots of documents are reviewed and revised by attorneys and therefore reflect legal advice they provided to business people...The attorney-client privilege protects the communications between attorney and client involved in the drafting of those documents, such as emails with redlined documents reflecting legal advice or oral conversations giving legal advice. But that's it."

Privileges – Attorney-Client



Privileges – Attorney-Client

- Appreciate the difference between legal advice and business advice
  - Legal advice – advising on existing law, advising on litigation
  - Business advice attending business meetings, acting as a note-taker
- Mark communications “Confidential,” “Attorney-Client Privileged,” and “Attorney Work Product” as appropriate
- Limit recipients of privileged information (i.e. be careful with investment bankers, independent auditors, etc.)
- Insert note/educate teams on importance of not forwarding legal advice
- Always remember who the client is

Privileges – Attorney Work Product

- **Protects certain materials prepared by or for an attorney in the course of legal representation**

- **Requirements:**
  - Documents and tangible items
  - Prepared in anticipation of litigation/trial
  - By or for a Party or a representative of a Party

Privileges – Attorney Work Product

- Label documents or materials created in anticipation of litigation
- Litigation holds should be in place
- Generating memorandum from interviews, you can separate out your thoughts and impressions from the facts section to protect the impressions should the memorandum ever need to be produced in redacted form
- Be very careful when conducting pre-suit testing

Waiver of Privilege and the Scope of the Waiver

Waiver

- ***TransWeb LLC v. 3M Innovative Props. Inc.*, 2012 WL 2878076, at *14 (D. N.J. Apr. 12, 2012)**
- **Technology: Materials science**
- **Issue: Whether Defendant 3M properly asserted attorney-client privilege and/or work product doctrine over a sample of 20 documents**
- **Applied Third Circuit law**
- **The Special Master assessed the application of the attorney-client privilege in a corporate setting:**
  - "[D]ocuments subject to the privilege may be transmitted between non-attorneys…so that the corporation may be properly informed of legal advice and act appropriately. [T]here must be 'some nexus' between the non-attorney, the privileged communication and a specific attorney." (internal quotes and cites omitted)
  - "Still, a corporation may waive the attorney-client privilege by disclosing otherwise protected communications to employees who do not possess the need to know the information."

Waiver

- ***AdTrader, Inc. v. Google, LLC*, 405 F. Supp. 3d 862 (N.D. Cal. 2019)**
- **Email from a Google product manager to other Google employees was produced in a production of about 10,000 pages of documents ("Yu email")**
- **Google alleged that the email contained some privileged information that should have been redacted**
- **Timeline:**
  - December 2018 – Google produces unredacted email
  - February 2019 – AdTrader relies on and quotes from the email in four filings
  - August 6, 2019 – Google discovers the privilege issue
- **Privilege was waived for failing to follow-up after the use of the email in public court filings**

Waiver

- ***Irth Solutions, LLC v. Windstream Communications LLC*, 2017 WL 3276021 (S.D. Ohio Aug. 2, 2017)**
- **Claims involved breach of contract, balance due on an account, unjust enrichment, promissory estoppel, fraud, and violation of a license agreement case**
- **In January 2017, Defendant inadvertently produced 43 privileged documents**
  - Documents were clawed back
  - 19 days after the inadvertent production, Defendant produced a privilege log that identified the inadvertently produced documents
  - A discovery dispute was raised about the propriety of Defendant's attempted clawback of these documents
- **In March 2017, Defendant inadvertently produced the same 43 privileged documents again in a second document production**
- **There was a clawback agreement in place between the parties, purportedly covering any inadvertent production of privileged material.**

Common Interest Privilege / Maintaining Privilege During Diligence

Common Interest Privilege/Agreements

- **Exceptions to Waiver –** sharing privileged information is **not** a waiver when there is a common legal interest or joint privilege.

- **Common Legal Interest Agreement**
  - agreement between parties that share a legal interest and who wish to share privileged information without waiving the attorney-client privilege.
  - extends the A-C privilege to allow parties represented by different counsel to share information without waiving privilege

- Such an agreement is more likely to be effective near the end of the diligence process (when a party needs more (privileged) information to become comfortable enough to move ahead with the transaction). Generally not effective earlier on – especially when multiple suitors still involved.

10X Genomics, Inc. v. Celsee, Inc.

- ***10X Genomics, Inc. v. Celsee, Inc.*, 505 F.Supp.3d 334 (D. Del. 2020)**
- **During the litigation, non-party Bio-Rad Laboratories acquired 100% of Celsee's stock pursuant to an acquisition agreement.**
- **During two depositions, Celsee instructed witnesses not to answer questions relating to documents Celsee disclosed to Bio-Rad and communications between Celsee and Bio-Rad during the negotiations that led to the acquisition agreement**
- **10X moved to compel the deposition of a witness to obtain this information**
- **To meet its burden that the common interest privilege applied, Celsee had to show that:**
  - "the interests it claims to hold in common with Bio-Rad are 'identical, not similar, and [are] legal'… and that the communications it seeks to protect 'would no have been made but for the sake of securing, advancing, or supplying legal representation'"

Mitigating Risk When Evaluating Confidential Information During Diligence

- Due diligence work necessarily involves communicating with third parties and asking for/reviewing third party information – often sensitive in nature, and time is of the essence. How to reduce risk?
- Avoid waiving privilege during due diligence and also try to reduce the risk of the other party waiving privilege
  - Do not share (or ask for) opinion letters or anything that is attorney-client privileged.
  - Sharing privileged information may result in full subject matter waiver.
- Plan for staged disclosure:
  - First request public information;
  - Enter into a confidentiality agreement;
  - Disclose prior art of potential relevance – only the documents, *not* the analysis;
  - Discuss the issues by phone
- Consider using outside counsel (instead of in-house personnel) to review confidential information to reduce contamination risk.

Legal Opinions – How to Share Information While Minimizing Risk of Waiver

How to disclose legal opinions to "the other side"

- Is there a common legal interest/joint privilege between the parties?
  - And assume there isn't
- If so, have the parties executed a common interest/joint privilege agreement?
  - Steps to ensure confidentiality?
- **If "No", share FACTS only:**
  - Did you receive an opinion of counsel? Answer: Yes or No
  - On what date and by whom?
  - What references were relied on
- **Even if "Yes", still consider sharing FACTS only**

Patent Agent Privilege

In re Queens University (Fed. Cir. 2016) Recognizes a Patent Agent Privilege

- *In re Queen's University at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016)
- Queens University (Canada) sued Samsung for patent infringement
- Queens University refused to produce certain documents relating to communications with its patent agent concerning prosecution of the patents-in-suit on the grounds that such documents were privileged
  - Trial court (E.D. Texas) granted Samsung's motion to compel
  - Documents not protected by the attorney-client privilege because a separate patent agent privilege does not exist
  - Queens University petitioned the Federal Circuit for a writ of mandamus directing the district court to withdraw its order compelling production

Privilege – Patent Agent Privilege

- **37 C.F.R. 11.5(b):**
  - "Practice before the Office in patent matters includes, but is 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; and drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to or any other proceeding before the Patent Trial and Appeal Board, or other proceeding."
- ***In re Queen's University at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016)**
  - "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 proceeding 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."

Privilege – Patent Agent Privilege

- ***In re Queen's University at Kingston*, 820 F.3d 1287, 1301 (Fed. Cir. 2016)**
  - Communications with a patent agent who is offering an opinion:
    - **On the validity of another party's patent in contemplation of litigation**
    - **On the validity of another party's patent for the sale of purchase of a patent**
    - **On infringement**
  - "[L]itigants must take care to distinguish communications that are within the scope of activities authorized by Congress from those that are not."

Onyx Therapeutics, Inc. v. CIPLA Limited

- ***Onyx Therapeutics, Inc. v. CIPLA Limited*, 2019 U.S. Dist. LEXIS 28873 (D. Del. Feb. 15, 2019)**
- **Technology at issue: Hatch-Waxman case concerning Onyx's KYPROLIS® drug used to treat relapsed or refractory multiple myeloma**
- **D. Del. court recognized that patent agent privilege existed, but noted it was limited:**

> **Entry 713 (Group I)**: This document **SHALL BE PRODUCED** to Defendants. The document was produced with portions relating to a patent assessment by Peggy Radel redacted. Even accepting that Radel, who later became a patent agent, was working at the direction of patent agent Davis-Smyth, the communications are not privileged because the assessment was done as part of a plan to develop new chemical formulations, not to seek patent protection for already-developed formulations. *See In re Queen's U. at Kingston*, 820 F.3d at 1301-02.
>
> **Entry 766 (Group I)**: This document **SHALL BE PRODUCED** to Defendants. It is an e-mail chain among scientists that references prior art found by Peggy Radel, who was not a patent agent at the time of the assessment. Plaintiff alleges the assessment was done at the direction of Terri Davis-Smyth, a registered patent agent, as evidenced by documents 1062 and 1066. These two documents do show that Radel was working at the direction of Ms. Davis-Smyth. However, even assuming Radel had a privileged relationship with the scientists, the communications are not within the scope of the patent-agent privilege because they were not "reasonably necessary and incident to" patent prosecution. The redacted communications involve a technical discussion among scientists analyzing the prior art found by Radel and possible work-arounds. Such discussions are not protected by the patent-agent privilege because the assessment was done as part of a plan to develop new chemical formulations, not to seek patent protection for already-developed formulations. *See In re Queen's U. at Kingston*, 820 F.3d at 1301-02.

Luv N' Care Ltd. v. Williams Intellectual Property

- ***Luv N' Care Ltd. v. Williams Intellectual Property*, 2019 WL 2471318 (D. Colo. June 12, 2019)**
- **Technology at issue: self-sealing silicone place mat with a built-bowl or plate that attaches to the table using suction**
- **Luv N' Care sued its competitor Lindsey Laurain and her company Eazy-PZ, LLC**
- **During the litigation. Plaintiff moved to compel 3rd party Williams Intellectual Property to produce certain documents**
- **Ms. Laurain had retained Ben Williams of WIP, a registered patent agent, to prosecute the two patents at issue in the case**
- **WIP was required to amend its privilege log twice – the court opinion addressed the third revised privilege log**

Luv N' Care Ltd. v. Williams Intellectual Property

- **Issue of first impression in the 10th Circuit whether patent agent privilege applied**
- **Looking at the privilege log, every entry failed to meet the burden of proving privilege applied:**
  - Every communication involving Ben Williams, the patent agent, described the subject matter as "advice of patent agent and/or advice of patent agent + advice of counsel"
  - Failed to articulate how the advice was "reasonably necessary and incident to the preparation and prosecution of patent applications or other proceedings before the USPTO"

In re Silver

- ***In re Silver*, 540 S.W. 3d 530 (Tex. 2018)**
- **Technology at issue: Ziosk, "a stand-alone tablet designed to allow customers at restaurants to order food and pay their check without having to interact with a waiter or waitress"**
- **Andrew Silver claimed he invented Ziosk and sold the patent to Tabletop. Then Silver brought a breach of contract action against Tabletop, alleging it failed to pay him for his patent.**
- **At issue: Trial court's order compelling the production of emails between Silver and his non-attorney patent agent**
- **Texas law defined an "attorney" pursuant to attorney-client privilege as "a person authorized, or who the client reasonably believes is authorized, to practice law in any state or nation"**
- **Emails were protected under attorney-client privilege as long as they were within the patent agent's authorized practice area**

Privilege issues in Foreign Jurisdictions

Tests for Which Privilege Applies

- **"Touch base" test**
  - "any communications touching base with the United States will be governed by the federal discovery rules while any communications related to matters solely involving [a foreign country] will be governed by the applicable foreign statute"
    - ***Astra Aktiebolag v. Andrx Pharms., Inc.*, 208 F.R.D. 92, 98 (S.D.N.Y. 2002)**
- **"Functional" test**
  - The court "look[s] to the foreign nation's law to determine the extent to which with the privilege may attach" to communications with a foreign patent agent.
    - ***Smithkline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530, 535 (N.D. Ill. 2000)**

“Touch Base” Analysis

- ***Phillips North America LLC v. Fitbit LLC*, 2022 WL 252392 (D. Mass. Jan. 27, 2022)**
  - Fitbit moved to compel Phillips’ emails sent/received by Mr. Arie Tol, Dutch Patent Attorney and the Principal Licensing Counsel for the intellectual property licensing division at Phillips’ parent company
  - Mr. Tol was not admitted to the Dutch bar and was not a licensed attorney-at-law
  - Relevant test was the “touching base” test:
    - **“[i]f a communication has nothing to do with the United States or… only an incidental connection to this country, the privilege issue will be determined by the law of the foreign nation. If, however, the communication has more than an incidental connection to the United States, the court will undertake a more traditional analysis and defer to the law of privilege of the nation having the most direct and compelling interest in the communication or, at least, that part of the communication which mentions the United States. Such interest will be determined after considering the parties to and the substance of the communication, the place where the relationship was centered at the time of the communication, the needs of the international system, and whether the application of foreign privilege law would be ‘clearly inconsistent with important policies embedded in federal law.’” (internal citations omitted)**

"Functional Test" Analysis

- ***Baxter Int'l, Inc. v. Becton, Dickinson and Co.*, 2019 WL 6258490 (N.D. Ill. Nov. 22, 2019)**
  - Baxter moved to compel BD's documents involving employees of Carmel Pharma AB (a Swedish company BD acquired in 2011) that reflected advice provided to Carmel Pharma or its employees about patent-related issues
  - All the withheld documents pre-dated September 2010
  - In determining whether the documents were privileged, the court first considered whether the law of Sweden or the U.S. applied.
  - The court used the "functional approach to the problem" – "'look to the foreign nation's law to determine the extent to which the [attorney-client] privilege may attach' to communications with foreign individuals
  - Court applied Swedish law to determine whether the documents were privileged.
  - Under Swedish law pre-2010, patent attorneys were not members of the Swedish Bar Association, were not considered Advokats, and, therefore, were not covered by the attorney-client privilege

Application of *In re Queens University*

- ***Align Technology, Inc. v. 3Shape A/S*, 2020 WL 1873026, at *2 (D. Del. April 15, 2020)**
  - Defendants sought a protective order preventing the production of documents relating to:
    1) legal analysis and advice provided by the EPAs/patent agents relating to European patents;
    2) documents directed to or authorized by Defendants' EPAs that contained legal advice and analysis of global patent portfolios of competitors; and
    3) competitor patent analysis in the context of the client's products developed in Denmark and patent prosecution
  - Court found that U.S. Federal Circuit law applied and that the decision in *In re Queen's* was instructive although not directly on point.

Application of *In re Queens University*

- ***Align Technology, Inc. v. 3Shape A/S*, 2020 WL 1873026, at *2 (D. Del. April 15, 2020)**
  - Court applied a test
    - **A patent-agent privilege could serve to shield certain communications between registered foreign patent agents and their clients from disclosure, if the party seeking protection could either show that**
      1. **The communications at issue were made to or by patent agents acting within the scope of the "authorized practice of law" set out by the law of the foreign country (or by the regulations of an governmental entity similar to the USPTO); or**
      2. **The law of the foreign country at issue otherwise recognizes a patent-agent privilege that is broader than or otherwise in conflict with that recognized by United States courts, and the foreign communications at issue fall within the scope of that privilege.**

Privilege Issues in International Settings

- Due diligence projects and litigations are often global and may involve documents and information from countries with varying privilege laws and privacy laws.
- Depending on the country, work product and communications with patent agents may or may not be privileged.
- Do not assume US Privilege law is the law of all jurisdictions

- **BEST PRACTICE – consult lawyers in each jurisdiction to understand that country's privilege law/issues and then develop a plan for the treatment of information and maintenance of the privilege in that country. Also understand the players involved at a company level.**

Thank You!

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Please send your NY/NJ CLE forms to mcleteam@fr.com

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