SAN FRANCISCO
Daily Journal
www.dailyjournal.com
TUESDAY, OCTOBER 11, 2016

Attorney-client privilege and nonattorney patent agents

By Matthew K. Blackburn

Federal law authorizes nonattorney patent agents to practice before the U.S. Patent and Trademark Office (USPTO). Over 1,000 nonattorney patent agents are registered in Northern California alone. These patent agents frequently prepare and prosecute patent applications for some of the largest corporations in Silicon Valley. However, patent agents may not enjoy the same attorney-client privilege as their patent attorney counterparts.

Over 50 years ago, the U.S. Supreme Court ruled in *Sperry v. Florida*, 373 U.S. 379 (1963), that registered patent agents are authorized by federal law to practice before the PTO, and state bar associations cannot enjoin them even if the nonattorney patent agents are actually located within the state's borders. Under the U.S. Constitution's supremacy clause, state laws must give way to federal laws.

Notwithstanding *Sperry*, a number of federal district courts have refused to extend the attorney-client privilege to nonattorney patent agents. *See, e.g., Park v. CAS Enter., Inc.*, 08-0385 (S.D.Cal. Oct.27, 2009).

Earlier this year, the U.S. Court of Appeals for the Federal Circuit stepped in and squarely held that communications between clients and nonattorney patent agents are in fact privileged under federal common law. *In re Queen's University at Kingston*, 820 F.3d 1287 (Fed. Cir. 2016).

The Federal Circuit's recent Queen's University decision is not a panacea, and it does not resolve all doubts as to treatment of nonattorney patent agent communications. A case now pending before the Texas Supreme Court — *In re Silver*, 16-0682 (Tex. S.Ct., filed Sept. 2, 2016) — highlights potential challenges to extending the federal common law evidentiary privilege to state court causes of action.

Silver relates to a dispute stemming from commercialization of a restaurant technology called "Ziosk." The inventor (Silver) entered into a contract to sell this technology to Tabletop Media LLP. The parties' dispute relates to an alleged breach of that contract — a Texas state law cause of action. Tabletop sought production of emails between Silver and his nonattorney patent agent, which Silver claims are subject to attorney-client privilege.

The trial court rejected that privilege claim under Texas state law, and compelled production of the documents. "[N]o privilege exists for communications between a patent agent and his or her client where the patent agent is not acting under the direction of an attorney."

Silver petitioned the Texas 5th District Court of Appeals for a writ of mandamus. A three-judge panel affirmed the trial court's finding of no patent agent privilege. The majority opinion, written by Justice Craig Stoddart, held that Texas does not recognize a patent-agent privilege. No Texas statute or rule previously recognized or adopted a patent-agent privilege. Because Texas courts are prohibited from determining new discovery privileges, the majority could not do so.

The majority distinguished the Federal Circuit's decision in *Queen's University*. The nature of the cause of action is crucial. Federal common law only governs privilege in a federal case. "[I] n a civil case, state law governs privilege regarding a claim or defense for which state law supplies the rule of decision." *In re Silver*, 05- 16-00774 (Tex. App., Aug. 17, 2016) (Stoddart, J). The cause of action in *Silver* was a breach of contract action, which is governed by state law. Therefore, Texas state privilege law applies and it does not recognize nonattorney patent agent privilege.

The *Silver* dissent (authored by Justice David Evans) reached the opposite conclusion and would have extended privilege to the nonattorney patent agent communications. The dissent argued that Texas Rule of Evidence 503 provides a basis for the privilege. It defines a "lawyer" as "a person authorized … to practice law in any state or nation." The United States had authorized Gostanian to practice law before the USPTO regarding "the preparation and prosecution of patent applications." Therefore, the dissent concluded, communications between Silver and Gostanian regarding the patent prosecution "fit squarely within the scope of rule 503's attorney–client privilege."

Regardless of how the Texas Supreme Court might resolve the issue in *Silver*, patent agents and their clients in California will continue to face very real challenges to claims of attorney-client privilege. California has a system of statutory privileges, and not one based on state common law. California Evidence Code Section 911 prohibits judicially created exceptions from (or extensions of) the statutory privileges, and states, "Except as otherwise provided by statute … [n]o person has a privilege to refuse to disclose any matter or to refuse to produce any writing, object, or other thing."

The attorney-client privilege is defined in California Evidence Code Section 954, "[T]he client … has a privilege to refuse to disclose, and to prevent another from disclosing, a confidential communication between client and lawyer if the privilege is claimed…. The relationship of attorney and client shall exist between a law corporation … and the persons to whom it renders professional services, as well as between such persons and members of the State Bar employed by such corporation to render services to such persons."

These statutes differ from Texas Rule of Evidence 503, which is at issue in *Silver.* No provision of California law defines a lawyer as a person authorized to practice law in a nation. Regardless of what the Texas Supreme Court decides, nonattorney patent agent communications remain susceptible to discovery, at least in California state law causes of action (and potentially elsewhere).

Until the law is settled in this area, clients are wise to assume the worst-case scenario — communications with a patent agent are not privileged. To provide some measure of protection consider involving an attorney in patent preparation and prosecution activities, even if she is not primarily responsible for the case.

Matthew K. Blackburn, *a partner with the national litigation boutique Diamond McCarthy LLP in San Francisco, is a registered patent attorney with the U.S. Patent and Trademark Office and serves as the chair of the Patent Litigation Committee for the American Bar Association's Intellectual Property Law Section. He can be reached at mblackburn@diamondmccarthy.com.*


BLACKBURN