Keywords: Patent agent; privilege; patent-agent privilege; attorney-client privilege.

General: Patent-agent privilege does not extend to communications between a patent agent and a client in Texas state courts.

In re Andrew Silver
Court of Appeals, Fifth District of Texas at Dallas
No. 05-16-00774-CV
Decided: August 17, 2016

I. Background

On March 2, 2015, Andrew Silver filed a lawsuit in the 134th Judicial District Court of Dallas County for breach of contract to recover $3.5 million allegedly owed under a patent purchase agreement. Silver claimed that Tabletop Media ("Tabletop") entered a patent purchase agreement in April, 2008, and agreed to purchase a patent granted from Silver's patent application and also agreed to pay Silver a royalty for use of the patent in Tabletop's Ziosk device. Silver's patent issued as U.S. Patent No. 8,224,700 in 2012, and, after failing to receive payments from Tabletop, Silver filed suit.

Tabletop argued that the purchase agreement was entered based on the application and terms that existed at the time of the agreement and that Silver's subsequent amendments to the patent application before issuance rendered the agreement invalid. During the course of the suit, Tabletop moved to compel production of more than 300 emails between Silver and the patent agent who prepared the application for the patent in question.

Tabletop argued there was no privilege covering communications between Silver and a non-attorney patent agent. Tabletop also argued that or that if there was a privilege, it would not cover communications between them that extended beyond patent prosecution to include starting a business together to monetize the patents. The trial court in February, 2016, did not recognize a privilege for patent agent communications where the agent was not acting under the direction of an attorney and ordered production of the emails, but also stayed the order and certified the issue for appeal.

In March, 2016, the Federal Circuit issued a decision in *In re Queen's University at Kingston, PARTEQ Research and Development Innovations* that established a newly-created patent-agent privilege. After the *Queen's University* decision was issued, Silver moved for rehearing but the trial court denied his motion. Silver petitioned for mandamus relief with the Dallas Court of Appeals, arguing that the trial court abused its discretion by not granting a rehearing in light of the *Queen University* privilege rules.

II. Issue

Should the Texas district court adopt the patent-agent privilege rules per the Federal Circuit's *In re Queen's University* decision and withdraw an order compelling production of communications between Silver and his patent agent on the grounds that the communications are privileged?

III. Discussion

No. Although the federal rules of evidence specifically permit federal courts to determine new discovery privileges, the Court of Appeals held that Texas courts can only recognize privileges grounded in the Texas constitution, statutes, the Texas Rules of Evidence, or other regulations. Accordingly, the *Queen's University* decision at the Federal Circuit is not binding on a case in Texas courts. For comparison, the Court of Appeals noted that private investigator privilege is also not recognized in Texas state courts. The Court of Appeals also set forth that the underlying dispute is a breach of contract case and not a patent case and did not turn on the validity of Silver's patent and noted that *Queen's University* expressly excluded such cases from the scope of privilege. Accordingly, the court found that no privilege attaches to any of the communications between Silver and his patent agent because Texas does not recognize a patent-agent privilege.

In dissent, Justice Evans said because the U.S. Supreme Court has recognized that a non-lawyer, registered patent agent is authorized to practice law to the extent of preparing and prosecuting patent applications before the U.S. Patent and Trademark Office, client communications with a patent agent regarding such matters are within the attorney-client privilege laid out in Texas evidence rules. Justice Evans noted that the Texas Rule of Evidence 503(a)(3) defines a "lawyer" as "a person authorized…to practice law in any state or nation" and, since the United States is a nation, and since the U.S. Supreme Court has authorized non-attorneys to practice law before the USPTO regarding the preparation and prosecution of patent applications, a patent agent should be considered an "attorney" in Texas regarding patent prosecution documents under the Texas Rule of Evidence 503(a)(3) and communications relating to preparation and prosecution of patent applications should, therefore, be privileged. Accordingly, Justice Evans would find that the patent prosecution documents in the present case were privileged while litigation consultation documents with the patent agent were not.

IV. Conclusion

There are currently two separate views on patent-agent privilege. Insofar as patent disputes turn on contract disputes that are settled in Texas state courts, *In re Silver* stands, at a minimum, as persuasive authority that in the state of Texas, no patent agent-client communications are privileged.

In federal courts, *Queens University* created a patent-agent privilege that extends to communications between a patent agent and a client when the agent is acting within the agent's authorized practice of law before the Patent Office. The majority noted that only those communications that are within the scope of activities authorized by Congress may be protected by the patent-agent privilege. The majority also noted that the regulations promulgated by the PTO relating to the scope of a patent agent's ability to practice before the PTO help to define scope of communications covered by the patent-agent privilege. Such regulations include those cited in 37 CFR § 11(b)(1) as :

> 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.

The *Queens University* majority noted that 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. 37 CFR § 11(b)(1). The majority also noted that the burden of determining which communications are privileged rests on the party asserting the privilege. Communications that are not reasonably necessary and incident to the prosecution of patents before the PTO fall outside of patent-agent privilege. For example, communications with a patent agent who is offering an opinion on the validity of another party's patent in contemplation of litigation, or for sale or purchase of a patent, or on infringement, are not "reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the Office." 37 CFR § 11(b).

In addition, the USPTO recently solicited comments on a proposed rule change to recognize patent-agent privilege in proceedings before the Patent Trial and Appeal Board (PTAB). PTAB proceedings are subject to the Federal Rules of Evidence, but do not expressly address privilege for communication with non-attorney practitioners.