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WHAT TO DO TODAY FOR TOMORROW’S PATENT LITIGATION

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OVERVIEW

• Managing interactions with attorneys and patent agents during patent prosecution
• Avoiding privilege waivers in the transactional context
• Commissioning opinions of counsel for potential use in litigation
• Implementing best practices on IP ownership issues
• Ensuring good practices on documents
MANAGING INTERACTIONS WITH ATTORNEYS AND PATENT AGENTS
Prosecute your patent application with an eye towards litigation

• Invest in the process.

• Have your counsel act strategically.

• Be prepared for document discovery over the prosecution of the patent.
The Attorney-Client Privilege

• Requirements:
  - a communication
  - between privileged persons
  - made in confidence
  - for the purpose of seeking or rendering legal advice, and
  - with counsel acting in a legal capacity.

• The privilege is generally narrowly construed.
Courts Split On Attorney Client Privilege Applying To Prosecution Materials

• Draft patent applications
  • NOT PRIVILEGED - *Detection Sys., Inc. v. Pittway Corp.*, 96 F.R.D. 152 (W.D.N.Y. 1982)

• Communications between lawyers with common client about prosecution of client’s patent applications
  • NONPRIVILEGED - *C & F Packing Co., Inc. v. IBP, Inc.*, 1997 WL 619848 at *3 (N.D. Ill. 1997)
Courts Split On Attorney Client Privilege Applying To Prosecution Materials

- Privilege *may* attach to communications regarding patent prosecution if they meet the other criteria of the privilege.

- Example: Invention Disclosures
  - *In re Spalding*, 203 F.3d 800 (Fed. Cir. 2000)
  - Invention record is privileged if provided to an attorney “for the purpose of securing primarily legal opinion, or legal services, or assistance in a legal proceeding.”
• Federal Circuit upholds patent agent privilege.
  - See In re Queens University, Case No. 2015-145 (Fed. Cir. Mar. 7, 2016).

• Texas appellate court does not recognize patent-agent privilege.
  - In re Silver, Dallas Court of Appeals, NO. 05-16-00774-cv (Aug. 17, 2016) * APPEAL PENDING
Communications with foreign patent professionals/agents

• Communications re: U.S. patent applications
  – Majority Rule: NOT PRIVILEGED
    – Unless agent acting under the direct control and authority of a U.S. licensed attorney

• Communication re: foreign applications
  – Foreign jurisdiction laws may apply
  – “conduit” thread of case law is still active;
    – *See e.g. SmithKline Beecham Corp. v. Apotex Corp.*, 193 F.R.D. 530 (E.D.Pa. 2000)
• Attorney work to prepare and prosecute a patent application is **not** protected by work product doctrine.

• Work product protection **may** apply where prosecution work was **also** performed in anticipation of or concerning litigation.
  - “primary motivating purpose” to assist in the pending or impending litigation.

• Materials relating to PTAB appeals may be protected by work product.
Practical Tips To Avoid Problems

- Understand what documents are being created and kept as part of the patent prosecution process.

- Don’t assume privilege or work product protection because it involves an attorney or patent agent.

- Structure communications to satisfy the requirements of the attorney-client privilege.
AVOIDING PRIVILEGE WAIVER IN MERGERS, ACQUISITIONS, AND OTHER DUE DILIGENCE TRANSACTIONS
Hypotheticals

• **Potential purchaser** of business wants comfort that target company’s patents will stand up to challenge.

• **Potential investor** wants assurances that company’s blockbuster product is not susceptible to infringement claims.

• **Customer** wants to understand seller’s strategy for dealing with a competitor’s patent.

• **ISSUE**: How to share requested information without waiving attorney-client privilege and/or work product doctrine?
• ORDINARILY: privilege waived when privileged communication is disclosed to a third party.

• BUT:
  - Privilege transfers to purchaser who acquires all or “enough” assets of the target company.
  - the common-interest “privilege” may apply to prevent waiver.
Common Interest Privilege

• Allows parties represented by different counsel to share information without waiving privilege or work product protection.

• Requirements vary among state/federal courts
  - Must satisfy attorney-client privilege generally.
  - Must further common legal interest.
    - In some courts, identical legal interests
  - Written memorialization of common interest.
  - Communications amongst lawyers, not the clients.
• Analyze whether “substantially all” of a business is being acquired such that the privilege would also transfer.

• If not, bolster your case for a common interest privilege.
  – Create an non-disclosure agreement signed by parties.
  – Include language in an initial non-disclosure agreement or confidentiality agreement stating that the parties have a common legal interest, specifically identifying what that interest is and stating that the parties do not intend to waive any privilege by exchanging documents.
  – Keep communications between counsel for the parties.

• Consider exchanging non-privileged information that would address concerns.
  – Provide product information instead of non-infringement opinions.
  – Provide prior art instead of invalidity opinions.
  – Have counsel talk to provide their client’s position, rather than share written opinions.
Practical Tips To Avoid Problems

• Consider the issue before information is exchanged.

• Manage the process.
  – Memorialization of common interest agreement
  – Communications between lawyers

• ASK: Can non-privileged information satisfy the request for information?
COMMISSIONING
ATTORNEY OPINIONS IN
DEFENSE TO WILLFULNESS
What are enhanced damages?

- Damages can be awarded up to three times the amount of actual damages found.
- Previously, in order to show willfulness, the Federal Circuit followed the two-part test from *Seagate*.
  1. A patent owner must show that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.
  2. The patentee must demonstrate that the risk of infringement was either known or so obvious that it should have been known to the accused infringer.
Halo Electronics, Inc. v. Pulse Electronics, Inc.

- Seagate test was rejected as “unduly rigid.”
- Objective merit of defenses in litigation are no longer considered.
- A court may consider only the defendant’s subjective intent in determining whether a defendant’s infringement was “egregious”.
  - “Willful Infringement”
- The focus is the infringer’s mental state at the time of infringement.
Effect of *Halo* on Opinions of Counsel

- Opinions of counsel are still not mandatory.
  - 35 U.S.C. § 298 provides that the failure of an infringer to obtain the advice of counsel, or to present such advice to the court or jury, *may not be used* to prove that the accused infringer willfully infringed an asserted patent.

- But having a pre-suit opinion of counsel may provide a defense to willful infringement.
  - Pre-suit opinion can be used to moderate other activities undertaken by the accused infringer that carry a high risk of infringement or the appearance of impropriety.
  - *See LoggerHead Tools, LLC v. Sears Holdings Corp.*, No. 12-CV-9033, 2016 WL 5112017, at *4 (N.D. Ill. Sept. 20, 2016) (considering fact that accused infringer consulted with patent attorney throughout design process and received a noninfringement opinion prior to litigation in granting summary judgment as to no willfulness).
Practical Tips To Avoid Problems

- Consider getting an opinion of counsel in situations where you may be sued for patent infringement.
- Create a written record of the internal investigation of the patents to show that a potential infringement is taken seriously.
- Keep in mind reliance on an opinion in litigation will result in a waiver of the attorney-client privilege.
BEST PRACTICES ON IP OWNERSHIP ISSUES
Ownership

• Ownership problems can greatly decrease the value of your IP portfolio.

• Under U.S. law, the inventor—not the company—is the default owner of the patent.

• But companies can contract around this:
  – Usually done through employment agreements (or invention assignment agreements), preferably signed before the employee starts creating IP.
  – Can also include such provisions with independent contractors who are not employees.

• Include a specific assignment, not a promise to assign.
Ownership

- Even when an employee has signed an appropriate employment agreement, they should execute a new patent-specific assignment whenever a new patent application is filed.

- Assignments must be filed (w/in 3 mos.) with the USPTO in order to be valid against third parties. 35 U.S.C. § 261.

- Good practice to periodically review assignment chains to ensure accuracy.

- Need to make sure the owner is the correct entity for the IP.

- If patent protection is being sought in Europe:
  - The assignment must be signed by the assignor and assignee. In the U.S., it can just be the assignor.
  - In order assert patent, assignment must include priority right.
Practical Tips To Avoid Problems

• Review employment agreements to confirm initial assignment.
• For agreements that cover post-employment, conduct exit interviews to remind.
• Set a procedure for signing and filing individual assignments for each new patent application.
• Periodically review all assignment chains, particularly if there have been corporate changes or patent litigation is likely.
CREATION, RETENTION & DESTRUCTION OF DOCUMENTS
Before document retention or document destruction, there is document creation . . .

• “I think the attached prior art renders the claims of our issued patent invalid. What do you think?”
• “Do we really need to disclose this prior art to the Examiner? It’s really close to what we’re doing.”
• “I shouldn’t have been omitted as an inventor. I worked really hard on this project.”
• “Our attorney said it’s OK to withhold information from our CDA partner.”
• “We got it past the examiner!”
The Importance of a Good Retention Policy

• Before the America Invents Act
  - Patent applicant could swear behind prior art.
  - Inventor testimony not enough – must have corroboration, and documents are key.
    - Cooper v. Goldfarb, 154 F.3d 1321, 1330 (Fed. Cir. 1998)
    - Price v. Symsek, 988 F.2d 1187, 1195 (Fed. Cir. 1993)

• As of March 16, 2013
  - U.S. switches from a "first to invent" to a "first inventor to file" system.
  - Are all those old documents necessary?

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Retain Documents To Establish Exceptions under 35 U.S.C. § 102(b)

• Applicant can avoid art
  - in a disclosure made 1 year (or less) before effective filing date, or
  - in patent application published or deemed published

• IF subject matter was:
  - Obtained directly or indirectly from the inventor or a joint inventor, or
  - Publicly disclosed by inventor, or by one who obtained it from the inventor
  - Owned by the same person OR subject to an obligation of assignment to the same person
Party alleging derivation must provide evidence of:

- Prior invention
- Communication to the other party
“Prior commercial use” applies if an alleged infringer can show that it

- used claimed subject matter commercially in the U.S.
  - Either internal commercial use or
  - actual arm’s length sale/commercial transfer of a useful end result of such commercial use
- at least one year before
  - the effective filing date of asserted patent application or
  - the date when the claimed subject matter was disclosed to the public.
Considerations separate from AIA

• Pre-AIA patents are subject to old rules.
  – May have to establish “first to invent” in litigation.

• Each inventor named on a patent has the right to assign the claimed invention.

• Collecting prior art – a balancing act
  – Useful when an accused infringer in litigation.
  – Implicates duty of disclosure under 37 C.F.R. § 1.56.
Practical Tips To Avoid Problems

• Instruction regarding appropriate document creation

• Have an informed document retention / destruction policy
  – Understand what your outside counsel has
  – Know what you are doing on retaining prior art

• Keep the things that will allow you to prove:
  – Who invented what
  – Respective roles in collaborations and joint development arrangements
  – Public disclosures of subject matter
  – Internal and commercial uses of technology
John V. Gorman works with a diverse group of clients, from global corporations to nonprofits, facing complex commercial disputes and intellectual property litigation. Representing plaintiffs and defendants, John handles all phases of litigation from inception through trial and post-trial appeals. He advises on commercial cases involving patent, trademark, trade secret, and copyright disputes in federal and state courts throughout the United States. Clients turn to John for assistance with matters involving a wide range of subjects.

John’s cases have involved consumer and industrial products, medical devices, computers, mobile devices, industrial tools, lighting systems, academic standardization tests, wireless products, and automatic fire protection equipment.

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Tom is Co-Chair of the ABA Corporate Intellectual Property Attorneys’ Committee (CIPAC) and Board Member of the Washington State Patent Law Association (WSPLA).

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