

Commentary on Cross-Border Discovery in U.S. Patent and Trade Secret Cases

Draft Stage III Project Charter

I. INTRODUCTION

The following Charter governs the proposed mechanism by which a Joint Working Group formed from members of the Sedona Conference’s Working Groups 10 and 12 (“the Joint Working Group”) will complete “Stage Three” of a multi-year, three-stage publication process for addressing cross-border discovery in patent and trade secret litigation. The “Stage Three” publication effort will see the Joint Working Group develop best practices directed to the following two issues:

- Addressing attorney-client privilege issues arising in patent and trade secret cases, where significant attorney communications and litigation decisions originate by counsel or patent agents domiciled in non-U.S. countries; and
- Providing insight as to how parties subject to orders originating from U.S. courts requiring production of discovery might successfully navigate the many foreign governmental regulations and procedural obstacles that impair access to such information in patent and trade secret cases.

As background, cross-border discovery is of particular sensitivity in the field of intellectual property, where many parties maintain and license global patent portfolios, while also engaging in multinational operations that subject the parties to a wide variety of regulations and property rights. A recent and important trend in patent and trade secret disputes is the expansion of such litigation to become global in scope. In addition to patent infringement and trade secret actions being filed with greater frequency in U.S. district courts or the U.S. International Trade Commission (ITC), such litigation also increasingly is being simultaneously asserted before adjudicative bodies situated in Europe, Asia, Australia, and South America. This development in multinational patent and trade secret litigation also necessitates that the courts and adjudicative bodies handling these disputes in U.S. district courts, the ITC, and in foreign proceedings each address management of cross-border discovery—a challenge that inevitably implicates the application of complex international comity factors.

And in that regard, the Sedona Conference has a long and reputable history in addressing the significant problems inherent in cross-border discovery in a variety of other contexts. The Sedona Conference has repeatedly and successfully built consensus using input from members of the United States judiciary, litigators, and in-house and corporate counsel about how best to manage the issues that arise as a result of foreign restrictions that preclude or severely limit common forms of discovery otherwise available in domestic-based legal proceedings. Indeed, the Sedona Conference has published several earlier Commentaries that provide insight into how judicial officers, in-house counsel, government attorneys and practitioners may best navigate this minefield of complex international legal conflict.¹

¹ See, e.g., The Sedona Conference, *Commentary on Cross-Border Privilege Issues*, 23 SEDONA CONF. J. 475 (2022); The Sedona Conference Framework for Analysis on Trade Secret Issues Across International Borders: Extraterritorial Reach (June 2022); The Sedona Conference on the Enforceability in U.S. Courts of Orders and Judgments Entered

Consistent with this past success in developing consensus, and in order to provide guidance for how judicial officers, in-house counsel, government attorneys, and practitioners might navigate the complexities of cross-border discovery in the unique context of patent and trade secret litigation, an earlier incarnation of the same Joint Working Group published in May 2021 “Stage One” of *The Sedona Conference Best Practices in Cross-Border Discovery in Patent and Trade Secret Cases*, and followed that up in January 2023 with the public commentary version of “Stage Two” of the same effort. The Joint Working Group’s “Stage One” publication generally covered how parties involved with U.S.-based patent and trade secret cases should approach case management when one or both parties believed discovery from foreign sources would be required. The Stage One publication proposed best practices for litigants to consider when raising the necessity of foreign discovery with judicial bodies handling intellectual property disputes, as well as additional best practices directed to how comity factors should be weighed when foreign discovery implicates blocking statutes and privacy regulations. The proposed best practices further considered what mechanisms might be used by U.S. judicial bodies to assure that relevant foreign discovery will be produced by reticent parties (and how).

The January 2023 “Stage Two” publication, meanwhile, continued this effort and proposed best practices to address one particularly vexing aspect of cross-border discovery—namely, the management of applications to United States district courts made pursuant to 28 U.S.C. § 1782 by actual or potential litigants seeking evidence encompassing confidential or trade secret information to be used in a proceeding before a foreign or international tribunal. Applications pursuant to Section 1782 raise significant and independent complexities in patent and trade secret disputes because protections for confidential or trade secret information in a foreign tribunal may not align with protections typically implemented within U.S. courts. The “Stage Two” *Commentary* presented mechanisms for parties raising or responding to a Section 1782 application to address these important distinctions and bring them to the attention of the U.S. district court receiving the application.

Now, Stage Three of this ongoing process focuses upon additional issues such as the complexities that emerge when in-house counsel or patent agents render advice on IP issues to parties domiciled in countries that do not otherwise accord attorney-client privilege to such communications, and how parties subject to orders in the U.S. requiring production of discovery should navigate the many foreign governmental regulations and procedural obstacles that impair access to such information in patent and trade secret cases. This Stage Three effort also will seek consensus on how U.S. courts may wish to analyze conflicts-of-law questions that implicate both U.S. and foreign law.

On the other hand, this Stage Three publication will not (a) provide a comprehensive evaluation on a country-by-country basis of how foreign discovery or attorney-client privilege issues are treated; (b) catalog all differences on a country-by-country basis of what kinds of discovery is permitted; or

under GDPR (January 2021); *The Sedona Conference Commentary on Jurisdictional Conflicts over Transfers of Personal Data Across Borders* (April 2020); *The Sedona Conference Practical In-House Approaches for Cross-Border Discovery and Data Protection* (June 2016); *The Sedona Conference International Principles on Discovery, Disclosure & Data Protection* (December 2011); *The Sedona Conference International Overview of Discovery Data Privacy and Disclosure Requirements* (September 2009).

(c) identify any particular legal standard for assessing whether the attorney-client privilege attaches to communications concerning IP issues that are rendered by foreign counsel to a client.²

² For a more comprehensive discussion of what are the standards used by U.S. district courts to evaluate when the attorney-client privilege attaches to communications by foreign counsel to foreign-domiciled entities, *see* The Sedona Conference, *Commentary on Cross-Border Privilege Issues*, 23 SEDONA CONF. J. 475 (2022), available at <https://thesedonaconference.org/civicrm/ mailing/ view?reset=1&id=2467>.

II. [POTENTIAL] BEST PRACTICES WITH RESPECT TO EVALUATING PRIVILEGE ISSUES ARISING FROM FOREIGN COMMUNICATIONS CONCERNING INTELLECTUAL PROPERTY

Key issue: How can U.S.-based courts best balance the problems associated with the fact that communications concerning intellectual property by patent agents and in-house counsel in foreign jurisdictions are not privileged, even where those communications might be deemed subject to attorney-client or work product privileges if they occurred in the U.S.?

This Charter provides an outline of draft Best Practices culled from earlier discussions by members of the Joint Working Group to use as a starting point for reaching consensus as to how United States or foreign tribunals can determine whether communications or work product directed to intellectual property and originating from communications involving foreign counsel or patent agents may be deemed privileged when subject to a United States discovery order. These proposed Best Practices do not reflect consensus, but are intended solely to initiate discussion as to what should, and should not, be recommended solutions for addressing discrete problems in this complex area of law. Moreover, additional proposed Best Practices will be welcome and invited to be raised and discussed by the Joint Working Group.

For context, as noted in *The Sedona Conference Commentary on Cross-Border Privilege Issues*:³

Protections that limit discovery of documents and information under doctrines such as attorney-client privilege and the work-product doctrine vary from country to country. The differences are greatest between common law and civil law jurisdictions, reflecting material differences in the scope of discovery.

Such differences in country-to-country application of the attorney-client and work product privileges can have a profound impact on how both U.S. and foreign judicial tribunals address advice offered by in-house counsel or patent prosecutors concerning matters directed to a company's intellectual property.⁴

³ 23 SEDONA CONF. J. at 477.

⁴ In May 2002, the International Association for the Protection of Intellectual Property (AIPPA) published a report of responses to a questionnaire it directed to its members requesting information on the applicability of the attorney-client privilege to patent matters in various countries. The questionnaire, entitled "Questionnaire Q163—Attorney-Client Privilege and the Patent and/or Trademark Attorneys Profession" ("Q163") resulted in the AIPPA passing a resolution in 2003 that generally called for the clients of non-lawyer IP professionals to enjoy protections similar to the kinds of protection accorded by United States Courts for attorney-client protection. A summary of the AIPPA's activities in adopting Q163 as well as its later efforts to develop guidance on protections for such

For instance, it is not uncommon for an entity like a multi-national company to anticipate that patent applications for the same invention will be filed in a multitude of nations, including the U.S.. The Federal Circuit and individual states have generally deemed the communications made by domestic patent agents with the inventor and/or assignee to be subject to attorney-client protection, even where they are not recognized as members of any state bar.⁵ Some Courts therefore have extended this ruling to foreign patent agents, provided they are registered to engage in foreign patent prosecution and/or have similar qualifications to a U.S. patent agent.⁶ Similarly, if a foreign patent agent communicates with the client or other party under the direction or supervision of an attorney,⁷ those communications generally will also be deemed to be protected by the attorney-client privilege.⁷ However, courts are divided in their views as to whether application of attorney-client privilege to a communication by a foreign patent agent with a client that was not supervised in the foreign jurisdiction by any licensed legal counsel is likewise subject to attorney-client privilege.⁸ Moreover, and critically, many civil law jurisdictions with strong ties to intellectual property such as France, Germany, Switzerland, Brazil and Japan do not deem communications between in-house counsel and other corporate employees to be privileged.⁹

Further complicating these issues, some common law jurisdictions that include countries like the United Kingdom, Canada, and Australia generally use a conflicts of law approach for resolving whether a communication is privileged, in which they apply the law of the forum to attorney-client communications – what is known as *lex fori*.¹⁰ However, other common law jurisdictions that include the U.S. employ a multifactor choice of law analysis that may also address comity concerns to conflicts of law questions directed to whether the attorney-client privilege should apply to communications involving intellectual property.¹¹ And even within such a multifactor choice of law approach, there are different tests that are employed. In the U.S., for instance, a majority of courts utilize a “touch base” analysis that looks to whether the U.S. or another country has the predominant or most compelling interest in whether a potentially privileged communication remains

communications (including in Australia) is set forth in a June 2020 publication available at the AIPPA website as https://www.aippi.org/content/uploads/2022/11/FINAL_History-of-Privilege_June-2020.pdf.

⁵ *See, e.g.*, *In re Queen’s Univ. at Kingston*, 820 F.3d 1287, 1302 (Fed. Cir. 2016).

⁶ *Philips N. Am. LLC v. Fitbit LLC*, Civ. Act. No. 19-11586-FDS, 2022 WL 252392 (D. Mass. Jan. 27, 2022); *Align Tech. Inc. v. 3ShapeA/S*, Nos. 17-1646-LPS & 17-1647-LPS, 2020 WL 1873026 (D. Del. Apr. 15, 2020).

⁷ *See, e.g.*, *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 143 F.R.D. 514 (S.D.N.Y. 1992) ((holding that certain Norwegian documents were privileged under United States law, where the documents had been generated by a Norwegian patent agent supervised by a Norwegian barrister).

⁸ *Cf.* *Foseco Int’l Ltd. v. Fireline, Inc.*, 546 F. Supp. 22 (N.D. Ohio 1982) (finding communications from the foreign patent agent to be privileged), *with* *Glaxo, Inc. v. Novopharm Ltd.*, 148 F.R.D. 535 (E.D.N.C. 1993) (finding similar communications not to be privileged).

⁹ 23 SEDONA CONF. J. at 509-14, 572-87.

¹⁰ *See, e.g.*, *Lawrence v. Campbell* [1859] 62 Eng. Rep. 186; *Morrison-Knudsen Co. v. British Columbia Hydro & Power Auth.* (1971), 19 D.L.R. 3d 726; *see also generally* 23 SEDONA CONF. J. at 536-38, 543-46.

¹¹ *See generally* 23 SEDONA CONF. J. at 538-43.

confidential.¹² However, other courts when addressing conflicts of law analysis concerning attorney-client communications about intellectual property produced by foreign patent agents or attorneys employ a “functional” approach in which the court looks “to the foreign nation's law to determine the extent to which the [attorney-client] privilege may attach’ to communications with foreign individuals.”¹³ And even further complicating this issue, in civil law countries like Germany, France, Italy, and Brazil, the relevant regulatory authorities may impose criminal penalties on attorneys who disclose any confidential information of a client, and yet the countries also have no specific choice-of-law rules governing application of the attorney-client privilege.¹⁴ Finally, some countries like China have no formal discovery process and no real equivalent to the attorney-client privilege at all.¹⁵

The Working Group recognizes that these complexities with cross-border privilege issues warrant development of some basic guidelines that are intended to ensure the maximum confidentiality of sensitive intellectual property communications, regardless of the country of their origin.

¹² *See, e.g.,* Cadence Pharms., Inc. v. Fresenius Kabi USA, LLC, 996 F. Supp. 2d 1015, 1019 (S.D. 2014) (citing cases and holding that communications with a German patent agent did not “touch base” with the United States, such that the Court would apply German privilege law because Germany had the predominant interest in the communications); Philips N. Am. LLC v. Fitbit LLC, 2022 WL 252392 at *6. The Sedona Conference has recommended that courts in all common law jurisdictions, to the extent they are permitted to do so, generally should utilize a “touch base” approach to conflicts-of-laws analysis of privilege issues. 23 SEDONA CONF. J. at 547-52.

¹³ Baxter Int’l, Inc. v. Becton, Dickenson & Co., Case No. 17 C 7576, 2019 WL 6258490, at * 2 (N.D. Ill. Nov. 22, 2019) (quoting SmithKline Beecham Corp. v. Apotex Corp., 193 F.R.D. 530, 535 (N.D. Ill. 2000)).

¹⁴ *See generally* 23 SEDONA CONF. J. at 502-506.

¹⁵ *See* 23 SEDONA CONF. J. at 225.

A. MARKING/IDENTIFICATION OF CONFIDENTIAL OR POTENTIALLY PRIVILEGED INFORMATION

[Proposed] Best Practice No. 1 – In-House counsel and patent agents should be proactive in exploring and exercising options to protect as privileged any communications related to confidential or sensitive intellectual property issues, regardless of where those communications originate.

[Proposed] Best Practice No. 2– Regardless of where its patent agents or in-house counsel reside, companies with offices or corporate headquarters and affiliates located outside the U.S. should be proactive in seeking to ensure all sensitive communications related to intellectual property are deemed confidential.

[Proposed] Best Practice No. 3 – Parties and their counsel should follow reasonable procedures to ensure any communications concerning intellectual property that might be deemed confidential and/or privileged are identified as such, even where the communications originate in jurisdictions that do not ordinarily protect such communications as being privileged.

[Proposed] Best Practice No. 4– In-house counsel in jurisdictions where their communications are not, or may not be, deemed privileged under applicable law should ensure all other counsel, officers, or employees with whom they interact on intellectual property matters are made aware of that fact.

[Proposed] Best Practice No. 5– Regardless of where a communication concerning intellectual originates, if it arguably might be considered privileged in any jurisdiction where privilege could attach to the communication, it should be identified and/or marked as such.

B. MITIGATING AGAINST THE RISK OF COMMUNICATIONS WITH IN-HOUSE COUNSEL AND PATENT AGENTS WHICH ARE NOT OR MAY NOT BE PRIVILEGED

[Proposed] Best Practice No. 6– Parties and their counsel should ensure that all in-house counsel and patent agents are made aware their communications concerning intellectual property may not be considered privileged by courts in later litigation.

[Proposed] Best Practice No. 7 – In-house counsel and patent agents that reside in jurisdictions which ordinarily do not consider their communications to be privileged should endeavor to limit to whom they discuss issues associated with confidential or sensitive intellectual property.

[Proposed] Best Practice No. 8 – Where feasible to do so, communications or activities by patent agents should be supervised by a professional licensed to practice law in the relevant jurisdiction.

III. ENFORCEMENT OF A U.S. DISCOVERY ORDER IN A FOREIGN JURISDICTION

Key issue: How can parties that are seeking discovery related to intellectual property in foreign jurisdictions maximize the probability that they will be able to enforce orders or letters rogatory from U.S. tribunals authorizing such discovery?

Again, this Charter intends the following Proposed Best Practice to be a starting point for discussion of what are the Best Practices for U.S. counsel to attempt to obtain enforcement of a discovery order issued by a United States District Court. And again, the single identified Best Practice is not intended to be exhaustive of what topics might be relevant to this issue.

Letters rogatory are requests from courts in one country to the courts of another country requesting the performance of an act which, if done without the sanction of the foreign court, could constitute a violation of that country's sovereignty. They are a critical aspect of cross-border discovery generated by U.S. litigation, including cross-border discovery related to intellectual property. Such letters rogatory are issued by District Courts or other tribunals in the U.S. and normally are transmitted through the US Department of State to the foreign jurisdiction where discovery is sought. They may be used to effect service of process or to obtain evidence related to intellectual property litigation if permitted by the laws of the foreign country. Such letters rogatory or letters of request may be further governed by additional procedures set forth in international treaties or agreements like the Hague Convention on the Taking of Evidence Abroad in Civil and Commercial Matters or the Inter-American Convention on Letters Rogatory and Additional Protocol. Foreign jurisdictions may also set forth special requirements for where the letters rogatory or letters of request can be enforced, such as requiring any depositions subject to such a request to occur at the U.S. embassy in such nation. Some countries have special statutes that must be followed for assistance to be granted.

There are so many complexities associated with the enforcement of U.S. civil discovery orders and letters rogatory, that it would be beneficial for the Working Group to develop Best Practices aimed at maximizing the amount of information that may be obtained in the foreign jurisdiction through such discovery mechanisms.

[Proposed] Best Practice No. 9 – When use of letters rogatory, letters of request, or other mechanism in assistance of foreign discovery related to intellectual property is anticipated, counsel in the U.S. should attempt to identify and consult as early as possible counsel in the country where enforcement will be sought, to ensure counsel in the U.S. (and counsel's client) are aware of all requirements governing the request.