

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

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ONYX THERAPEUTICS, INC.,	:	
	:	REDACTED PUBLIC VERSION
Plaintiff,	:	
	:	
v.	:	C.A. No. 16-988-LPS
	:	
CIPLA LIMITED, et al.,	:	<u>(CONSOLIDATED)</u>
	:	
Defendants.	:	

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**MEMORANDUM ORDER**

At Wilmington this **15th** day of **February, 2019**:

Pending before the Court are disputes over attorney-client privilege. (*See* D.I. 396)

Following a January 17, 2019 teleconference (*see* D.I. 401 (“Tr.”)), the parties submitted a joint letter identifying 30 entries on Plaintiff’s privilege log (20 selected by Defendants and 10 by Plaintiff; Plaintiff identified one entry that is also on Defendants’ list) that are representative of the parties’ disagreements. (D.I. 377 at 2-4) The Court then ordered Plaintiff to produce the 29 documents associated with the selected entries for *in camera* review. (D.I. 396)

In its submission to the Court, Plaintiff organizes the entries into three groups: Group I - documents for which Onyx maintains its claim of privilege; Group II - documents which Onyx has offered to produce on a non-waiver basis; and Group III - non-privileged documents. (D.I. 403) As the Court permitted (*see* D.I. 396 at 2), Plaintiff also provided a brief written statement (*ex parte*) explaining the basis for each claim of privilege.

Having reviewed the documents submitted *in camera*, as well as the privilege log entries, and for the reasons stated below, **IT IS HEREBY ORDERED** that:

(1) Defendants' request that Plaintiff be ordered to produce certain documents withheld as privileged is **GRANTED IN PART** and **DENIED IN PART**, as detailed below;

(2) the parties shall meet and confer and submit, no later than **February 20, 2019**, a joint status report, providing their proposal(s) for how the Court should now proceed with respect to resolving any remaining issues relating to privilege, including whether a decision is required on the parties' waiver dispute (*see* D.I. 396 at 2 ¶ 1); and

(3) the parties shall meet and confer and submit, no later than **February 18, 2019**, a proposed redacted version of this Memorandum Order.

### **PERTINENT PRIVILEGE LAW**

The attorney-client privilege is a common-law privilege that "protects communications between attorneys and clients from compelled disclosure." *In re Teleglobe Commc'ns Corp.*, 493 F.3d 345, 359 (3d Cir. 2007). For the privilege to apply, there must be "(1) a communication (2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client." *Id.* (quoting Restatement (Third) of the Law Governing Lawyers § 68 (Am. Law. Inst. 2000)).

If "persons other than the client, its attorney, or their agents are present," or "if a client subsequently shares a privileged communication with a third party," then the communication is not confidential. *Id.* at 361. Further, a communication must be made "for the purpose of obtaining or providing legal assistance for the client." *Id.* at 359. "Where a lawyer provides non-legal business advice, the communication is not privileged." *Wachtel v. Health Net, Inc.*, 482 F.3d 225, 231 (3d Cir. 2007). "[B]usiness and legal advice may often be inextricably interwoven." *Hercules, Inc. v. Exxon Corp.*, 434 F. Supp. 136, 147 (D. Del. 1977). For this reason, courts look to the communications' primary purpose to determine whether attorney-client

privilege applies. *See id.*; *Immersion Corp. v. HTC Corp.*, 2014 WL 3948021, at \*1 (D. Del. Aug. 7, 2014).

The Federal Circuit has also recognized a privilege between non-attorney patent agents and their clients. *See In re Queen's U. at Kingston*, 820 F.3d 1287, 1301-02 (Fed. Cir. 2016). However, this privilege is narrow; it covers only communications “reasonably necessary and incident to the prosecution of patents before the Patent Office.” *Id.* at 1301. The privilege does not cover, “[f]or instance, communications with a patent agent who is offering an opinion on the validity of another party’s patent in contemplation of litigation or for the sale or purchase of a patent, or on infringement.” *Id.* at 1301-02.

There is sparse caselaw considering what it means for a communication involving a patent agent to be “reasonably necessary and incident to” patent prosecution. In the instant case, the circumstances the Court confronts appear to involve scientists who identified potential alternative formulations and – before finalizing a research plan, before undertaking testing or viability studies, before reducing their ultimate invention to practice, and well before they committed to having claims drafted so a patent application could be prosecuted – consulted a patent agent for guidance, evidently for assistance in understanding the patent landscape in order to direct their efforts toward results that were not already the subject of prior art claims. In the Court’s view, based on the record before it, such communications with a patent agent are not “reasonably necessary and incident to” the ultimate patent prosecution. While such communications would almost certainly be within the scope of attorney-client privilege, here they are not protected by the narrower patent-agent privilege.

Whichever privilege is involved, the party asserting the privilege bears the burden of establishing the requisite elements. *See In re Grand Jury*, 705 F.3d 133, 160 (3d Cir. 2012).

Further, pursuant to Federal Rule of Evidence 502(d), a court “may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court – in which event the disclosure is also not a waiver in any other federal or state proceeding.”

#### **DOCUMENTS SELECTED FOR REVIEW BY DEFENDANTS**

**Entry 48 (Group I):** This document was properly withheld for the reasons stated in Plaintiff’s privilege log.

**Entries 91, 94, 98, and 102 (Group II):** Plaintiff has **MET ITS BURDEN** to show that these documents are protected by attorney-client privilege. All of these documents involve the same e-mail chain among chemistry consultant Barry Bunin, Proteolix’s Chief Scientific Officer Susan Molineaux, and Proteolix’s founder Craig Crews. The Court is persuaded by Plaintiff’s representation, based on the document logged at Entry 48 (and produced to the Court for *in camera* review), that these communications (and the underlying work) were done at the direction of outside counsel, John Kappos. These all appear to be communications made in confidence in connection with and for the purpose of an organizational client obtaining legal advice.

Like all of the Group II documents, Plaintiff has offered to produce these documents to Defendants on a non-waiver basis pursuant to F.R.E. 502(d). This is a reasonable accommodation to the interests of this case. The Court **HEREBY ORDERS** that Plaintiff’s production of the Group II documents **DOES NOT WAIVE** the privilege or protection that extends to these documents.

**Entry 108 (Group II):** Plaintiff has **MET ITS BURDEN** to show that these documents are protected by attorney-client privilege. It is a memo attachment to Entry 102 and a duplicate of Entry 132. [REDACTED]

[REDACTED] The scientists involved in the communications appear to be [REDACTED]

[REDACTED]. The Court does not find that the primary purpose of the document is for business as opposed to seeking legal advice. To the contrary, the communications appear to have been made in confidence in connection with and for the primary purpose of an organizational client obtaining legal advice.

**Entry 114 (Group II):** Plaintiff has **MET ITS BURDEN** to show that these documents are protected by attorney-client privilege, for the same reasons stated with respect to Entry 108.

**Entry 116 (Group II):** Plaintiff has **MET ITS BURDEN** to show that these documents are protected by attorney-client privilege, for the same reasons stated with respect to Entry 108.

**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.

**Entry 782 (Group I):** This document was properly withheld for the reasons stated in Plaintiff's privilege log.

**Entries 1062 and 1066 (Group I):** These documents were properly withheld and/or redacted for the reasons stated in Plaintiff's privilege log. All of Entry 1062 is also contained in Entry 1066; and all of what appears to have been redacted when Entry 1066 was produced is also contained in Entry 1062.

#### **DOCUMENTS SELECTED FOR REVIEW BY PLAINTIFF**

**Entries 763, 764, 773, and 780 (Group I):** These documents were properly withheld and/or redacted for the reasons stated in Plaintiff's privilege log.

**Entries 958, 960, 965, 974, 980 (Group I):** These documents were properly withheld and/or redacted for the reasons stated in Plaintiff's privilege log.

#### **DOCUMENTS FOR WHICH PLAINTIFF HAS WITHDRAWN PRIVILEGE CLAIMS**

**Entries 90, 95, 99, 110, 128, 129, and 758:** Plaintiff has withdrawn its claim of privilege for these documents, among others (entries 96, 97, 101, 103-07, and 131) not identified by the

parties for *in camera* review. (D.I. 403) Accordingly, if it has not already happened, these documents **SHALL BE PRODUCED** to Defendants.



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HONORABLE LEONARD P. STARK  
UNITED STATES DISTRICT COURT