International Chamber of Commerce
The world business organization

Client Privilege in Intellectual Property Advice

Prepared by the Commission on Intellectual Property

I The WIPO/AIPPI Conference on 22-23 May 2008

1. Client privilege in intellectual property advice was the subject of a conference held at the World Intellectual Property Organisation in Geneva on 22-23 May 2008. ICC commends WIPO for hosting (with AIPPI[1]) this conference; it was an outstanding exercise in consultation by an intergovernmental organisation.

2. Delegates to the Conference heard presentations on the subject of client privilege from all over the world. It was clear that client privilege required international attention. Sections II to VI of this paper set out the background as it emerged from the Conference; Section VII sets out the problems that were identified at the Conference; and Section VIII sets out ICC's recommendation for dealing with the problems, i.e. that WIPO should commence work on an International Treaty.

II Privilege in common-law countries

3. Client privilege is a necessary counterbalance to "discovery" (alternatively, "disclosure") in common-law countries, such as UK, USA, Australia, Canada, India, and Malaysia. In these countries Courts have long had extensive powers, which they routinely use, to require parties to any litigation to produce documents[2]; such production is called "discovery". These powers extend to the discovery of the documents of professional advisers such as doctors; a party may be expected to relieve his doctor of the obligation of professional secrecy and to supply medical records to the Court. However, in general the Court is not allowed to order discovery of the communications between a party and his legal adviser (neither in relation to the trial nor in relation to matters preceding the trial[3]). Such communications are, in short, "privileged". Nor is

[1] The International Association for the Protection of Intellectual Property.
[2] In recent years, electronic records have been included.
[3] Take the example of a patent infringement action. The communications between the patentee and his legal adviser about their proposed conduct of the action are not discoverable, nor are the communications between him and the legal adviser who drafted the patent application, probably long before any infringement action was specifically contemplated.

International Chamber of Commerce
38 Cours Albert 1er, 75008 Paris, France
Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 28 59
E-mail icc@iccwbo.org Website www.iccwbo.org

the Court in general[4] allowed to draw an adverse inference from a party's decision not to waive privilege.

4. According privilege to communications between clients and legal advisers is in the interests of justice; it is a public good. If a client presents his legal adviser with all the facts relevant to his proposed course of action and if the legal adviser can present the client with his opinions frankly and in writing, then the probability that the client will act lawfully and avoid litigation is increased. If, however, the client and legal adviser fear that these communications might later be exposed in Court (i.e. if there is doubt about privilege) then they will tend to be inhibited, incomplete, implicit, and oral. This means that the client is more likely to act unlawfully and therefore to become involved in litigation; moreover, if he does not receive explicit, recorded legal advice based on full information, he is in truth not getting what he has paid for.

5. The privilege system generally works well for matters falling entirely within a single common-law jurisdiction[5]. For instance, in a patent litigation in the UK, the advice of a UK solicitor, barrister, or patent attorney given at any time to the claimant on the validity of his UK patent or given to the defendant on his infringement of a UK patent is unquestionably privileged. Each of these legal professions is regulated so that their members have an obligation to the Courts which override their duty to serve their clients. Therefore, privilege cannot serve as a cover for dishonesty by the client. (Communications between a client and an unregulated legal adviser[6] are not privileged.)

III IP is unusually international

6. IP is uniquely international both legally and commercially. Under various international and regional Conventions -

(i) copyright protection is accorded to a work internationally regardless of the state of origin of the work;

(ii) the filing of a patent, trade mark, or registered design application in one country establishes a right of priority to the grant of such rights in others; and

(iii) various regional and international systems exist for applying for intellectual property rights (e.g. PCT, EPC, Madrid, OHIM).

These arrangements go back to the 19th century, indicating how long IP has been globalised. Moreover, substantive IP law is remarkably uniform across the world as a result of deliberate imitation and of formal harmonisation by international and regional treaties. It would be rare for

[4] An exception formerly existed in USA in relation to triple damages for patent infringement, but this exception has been recently narrowed.
[5] An exception is Canada, specifically in relation to IP matters.
[6] Whether the giving of legal advice by unregulated persons is allowed at all varies from country to country (in UK it generally is); but privilege is always restricted to the clients of regulated persons.

a substantial company not to seek patents for a significant invention in at least four states selected from the G7 countries, and pharmaceutical companies routinely apply for patents in very many states. Likewise, companies frequently launch new brands internationally. In this case, the "standard" procedure is for the company to select the brand from a number of possibilities after an international "clearance" (or "availability") search of third-party trade marks, and then to file its own trade mark applications internationally. The distribution of books, music, and motion pictures under the protection of copyright has long been an international business, in recent years modified and extended by the Internet.

7. Companies' activities are now more global than ever. More and more frequently, IP litigations on essentially the same subject matter occur in parallel in two or more states.

IV IP is unusual in that legal advice is routinely given by legal advisers who are not "lawyers"

8. Few "lawyers" (as the term is generally understood[7]) have the scientific and/or engineering knowledge that would be necessary for them to achieve competence in patent work. As a result, in many countries there are legal advisers known as "patent attorneys"[8] or "patent agents" who leave University with a science or engineering degree and then complete examinations in intellectual property and related law. In some countries, there are also "trade mark agents" or "trade mark attorneys" qualified by examination. Usually the legal training of patent and trade mark agents and attorneys is more international in scope than that of "lawyers".

9. These professions undoubtedly consist of "legal advisers", although the term "lawyer" is usually not applied to them[9]. The existence of these professions (at least one is 100 years old) is a response to the needs of clients. The members of these professions are not ancillary to "lawyers" (in contrast to paralegals), and take ultimate responsibility for the work they do. In many countries, such professions are the principal source of advice on applying for patents, registered trade marks, and registered designs, and a major source of advice on a range of other matters as set out in Section V below.

V The scope of IP advice given, whether by "lawyers" or other, "non lawyer" legal advisers, is broad and often "mission-critical" for companies

10. IP advisers, regardless of their training and title, cover a wide range of legal matters. For instance, "non-lawyer" patent attorneys and agents do not advise purely on applying for patents

[7] In this paper, "lawyer" is used as it was at the conference referred to in paragraph 1, to mean US "attorneys", UK "barristers" and "solicitors", French "avocats", German "Rechtsanwälte, and the like.
[8] Examples of countries with "patent attorneys" of this sort include UK, Germany, Australia, and Japan, and also there are "European Patent Attorneys" before the European Patent Office; but USA reserves the term "patent attorney" for "lawyers" with additional qualification.
[9] Including in UK, *despite* the use of "lawyer" to cover "patent attorneys" and "trade mark attorneys" as well as "solicitors" and "barristers" in the UK Legal Services Act 2007!

– indeed, they would often be negligent if they did so. Examples of the advice that clients need and of the importance of privilege to clients are as follows:-

(i) Company researchers obtain some technical results which they think have commercial prospects. They and commercial management would like to secure patent protection. To the extent legal privilege is effective, their legal adviser can engage in challenging and productive discussion, playing devil's advocate and anticipating objections to patentability from Patent Offices and third parties. At the end of this discussion, the adviser may conclude that there is a valid monopoly of useful commercial scope to be had, and then proceed to file patent applications in territories of commercial interest. However, if there is no privilege, such productive discussion is inhibited by the fear that in a later litigation views recorded unclearly or in partial ignorance, or taken out of context, will be used to attack the validity of the patent. According privilege in these circumstances increases the likelihood of a quality submission to the relevant Patent Office and of the grant of a quality patent, both of which are in the public interest.

(ii) To the extent privilege is effective, a legal adviser may say in writing to a company, "I think that if you make product X, then your competitor A would probably win if he sued you for infringement of his patent no 123456." This explicit, recorded advice makes it more likely that the company will not make product X, or else will seek a licence from A. If such explicit, recorded advice cannot be given without fear that it would prejudice the client in the event that the advice is not acted on, then it will not be given, and the risk of litigation is increased.

(iii) By analogy with (i) and (ii), legal advisers may have to express views on the validity and infringement of other intellectual property rights, both registered ones (ie ones which are applied for at Offices) and ones which do not require registration. These rights include registered trade marks[10], registered designs, copyright and performing rights, unregistered design right, rights in semiconductor topography, database extraction rights, and Plant Breeder's rights.

(iv) Legal advice may be needed also on –

(a) the law relating to *ownership* of intellectual property rights;

(b) the law of *confidence* or "trade secrets" (secret technical knowhow being commercially akin to an intellectual property right, and this law also being relevant to patent validity in some cases);

(c) the laws of *passing-off, unfair competition, domain names, and geographical indications* which complement the law of registered trade marks;

[10] Paragraph 6, last paragraph gives more detail on trade marks. Note that if a legal adviser, advising on whether a proposed new brand infringes third-party trade mark rights, fears to give his advice explicitly and in writing lest it is later discovered, then the risk of a brand being launched which results in a litigation is increased.

(d) the law of *contract* in relation to assignment and licensing of intellectual property rights and technical know how;

(e) *competition (anti-trust) law* relating to contracts on intellectual property rights and abuse of a dominant position, together with provisions in IP statutes themselves relating to abuse of IP rights and compulsory licensing; and

(f) the *criminal* law relating to intellectual property right infringement.

VI Problems with privilege in IP that occur

11. At the conference referred to in paragraph 1, the problems that arise were authoritatively and extensively discussed, and are summarised below.

(A) Litigation in a common-law country where one of the parties is from another common-law country (or has a relevant establishment there).

12. The current "best practice" (as in US litigation) is for the Court in the country where the litigation occurs to respect any privilege that exists in another common-law country. However, this still requires the expense of a "mini-trial" to establish the precise scope of advice which is privileged in the other country.

13. Australian and Canadian Courts have taken a narrower view than US Courts[11] so that UK litigants have been faced with disclosing UK documents (in practice for all the world to see) that a UK or US Court would not have seen.

(B) Litigation in a common-law country where one of the parties is from a civil-law country (or has a relevant establishment there).

14. The party from the civil law country is generally at an unjustifiable disadvantage because (without a tradition of discovery) civil-law countries do not have an established law of privilege as distinct from professional secrecy. Therefore as, the result of an expensive "mini-trial" on privilege in USA (one of the parties being a French company), documents were discoverable because the French law was silent on privilege. However, it is clear that a French Court would in practice not have seen these documents.

(C) IP infringement actions in civil-law EU countries.

15. Recently, "discovery" in relation to defendants has been in effect "exported" from UK to civil-law countries through the EU IP Enforcement Directive. The Directive is now being aggressively used in some EU civil-law countries. However, the Directive did not counterbalance the requirement for discovery with provisions on privilege. This will inevitably lead to problems similar to those described under heading *(B)* above.

[11] Australia is taking action to remedy the situation.

(D) In-house IP advisers

16. All major companies have in-house legal advisers. In-house legal advisers are in possession of background information that no external adviser has and are therefore able to advise their employers of legal opportunities and also to warn them of legal risks, both of these with a precision and confidence that external advisers cannot have[12]. They are in a position to encourage or challenge their employer/client in a way that external advisers are not. For instance, an internal legal adviser handling a company's patent applications may be aware, as an external adviser would not be, of the true significance of a technical achievement despite the lesser impression it might first make on some one not experienced in the relevant technical field; conversely, he may be aware of prior art in the field, even without performing a search, that makes an alleged invention unpatentable. Likewise, in-house trade mark advisers are in a uniquely good position to liaise with business people and to understand the marketplace.

17. Companies choose to have in-house legal advisers not just for any cost savings which they may make but because they are the most effective for certain tasks. Pharmaceutical companies, and others, are so reliant for their continued existence on patents that their in-house IP advisers are key to their business.

18. There are some countries (e.g. USA, UK, Netherlands) where in-house legal advisers and private practice legal advisers are on the same lists and subject to the same disciplinary regulation. The Courts in these countries allow the client/employers of in-house legal advisers to benefit from privilege in the same way as if they used external legal advisers. This is because the disciplinary regulation requires them to be "independent" of their employers in having an obligation to the Courts which overrides their duty to their employer/clients. (An instance of this is that they may not lie to the Court or Patent Offices even on their client/employer's instruction.) An international organisation which privileges communications with in-house advisers is the European Patent Office; this is justified because all European Patent Attorneys (EPAs) are on the same list and subject to the same disciplinary regulation whether they are in-house or in private practice.

19. However, in some other countries (e.g. France and Germany), in-house legal advisers are on different lists and/or independence is not presumed. To anticipate ICC's recommendations below, it does not seem practical for an International Treaty to dictate how countries should regulate their own local legal professions. However, clients justifiably fear that a Court in a country where local in-house advisers are presumed *not* to be independent will refuse to respect the privilege of clients of foreign in-house advisers who *are* recognized as being independent in their own jurisdictions (e.g. UK and US legal advisers and European Patent Attorneys)[13].

---

[12] This is not to say external advisers are not essential. For instance, the in-house advisers in country A commonly use private practice in country B to file and prosecute patent, trade mark, and design applications there. Also, in-house advisers frequently choose to instruct outside advisers on litigations.

[13] In principle, as well as (A) to (D), there is a fifth area of possible concern, (E) International enforcement, though we are not aware of any actual cases. Suppose a company gets an award of damages in country A against a company resident in country B because the latter company had infringed the first company's patent by exporting product to country A. Suppose then that the infringing company has no assets in

VII The overall impact on IP-intensive international business

20. Intellectual property underpins much of modern business, and business is more international than ever. Companies wish to keep out of Court if they can, and for this they desire legal advice on intellectual property matters on an international scale. If, however, companies do have to engage in Court actions on IP, they wish the Court to focus on the substantive issues of intellectual property law.

21. In contrast, at present, companies are –

(i) inhibited from taking IP legal advice from the best people, especially in writing and especially in certain jurisdictions,

(ii) inhibited from justifiably litigating against infringers of their IP in certain jurisdictions,

(iii) inhibited from setting up research and development facilities in countries where inventors' communications with local IP advisers are not privileged[14],

(iv) inhibited from using in-house IP advisers where these are more effective, and

(v) forced in the course of litigation into expensive "mini-trials" on privilege which delay any consideration of the proper and central issues of IP infringement and validity.

VIII ICC's recommended solution to these problems

22. While ICC welcomes the unilateral action that some states such as Australia are taking to remedy these problems, it believes that an effective solution on a reasonable timescale requires leadership from WIPO. Accordingly, ICC recommends that -

(i) ***A WIPO Treaty should require each Contracting State[15] to specify categories of adviser whose clients benefit from privilege before the State's Courts, intellectual property offices, tribunals, and investigators. These should be all such local general lawyers and local specialist IP advisers as the State considers to be adequately regulated, plus (in the case of EPC members) locally-resident EPAs (both private practice and in-house).***

(ii) ***Within each Contracting State, the following communications from or to the specified categories of adviser should be privileged (together with documents, material, and information preparatory to or otherwise related to such communications):***

---

country A, so that the patentee seeks to enforce the judgement in country B. If the Court in country B considers that legal advice that would have been privileged in country B was discovered in the course of the action in country A, it might, depending on the relevant international treaties, consider that the trial in country A had been unfair and refuse to enforce the judgement.

[14] One of the companies at the conference referred to in paragraph 1 made this point publicly.

[15] For simplicity, we use the word "State" here while appreciating that international forms of accession may be additionally desirable, especially if a European patent litigation system comes into existence.

'*Communications as to any matter relating to any invention, design, technical information, trade secret, trade mark, geographical indication, domain name, literary or artistic work, performance, software, plant variety, database, or semiconductor topography, or relating to passing off*[16] *or unfair competition.*'

(iii) ***Each Contracting State's Courts, intellectual property offices, tribunals, and investigators should respect the privilege of communications as defined in (ii) (plus preparatory/related documents, material, and information) from or to advisers specified under (i) by other States (both private practice and in-house), and in any case from or to EPAs resident in EPC States (both private practice and in-house).***

23. Note in the ICC proposal the special status that is proposed for European Patent Attorneys (EPAs). A high and increasing proportion of IP advisers in the EPC states are *in practice* EPAs as well as possibly having local national qualifications. Therefore, even if the governments of EPC member states are uneasy about the sufficiency of regulation of certain *local* IP advisers, and therefore do not want to specify them under (i), much of the existing problem will be solved by the specification of locally-resident EPAs under (i) together with the requirement relating to EPAs under (iii).

Document n° 450/1040
9 October 2008

[16] "Passing-off" is a term used in some common-law jurisdictions, and corresponds to some aspects of unfair competition in other jurisdictions.