



## **AIPPI - 41<sup>st</sup> Congress of the International Association for the Protection of Intellectual Property (AIPPI) – Boston, 6 - 11 September 2008**

### **Workshop VI – Privilege Treaty (4 to 5.30pm, Monday 6 September 2008)**

#### **The Australian position on client privilege in intellectual property professional advice (CPIPPA) and the outcome of the WIPO/AIPPI Conference on CPIPPA in Geneva, May 2008**

**By Michael Dowling, Chairman of Q199 – Privilege Task Force, an Australian Lawyer**

#### **This paper**

This paper is in two parts. The first part deals with client privilege in intellectual property professional advice in Australia. The second part deals with key points which emerged in the WIPO/AIPPI Conference held in Geneva in May 2008.

#### **The Global Position**

##### **Opening**

One of the most striking features of the WIPO/AIPPI Conference on Privilege in Geneva held in May this year, was as follows. Taking a high level view of the global scene, most countries recognise the need for client/IP adviser communications to be protected in some way. The recognition of the need for some form of protection proceeds largely everywhere on the basis that the need for full and frank disclosure<sup>1</sup> between client and professional requires that there be some form of protection against disclosure of their communications relating to the obtaining and giving of IP professional advice.

That overall need for full and frank disclosure reflects a number of subsidiary needs. First, there is a need for the client to be advised as well as can be. Secondly, the giving of proper legal advice leads to enforcement of the law. Thirdly, the giving of proper advice (ie which takes into account every aspect which is relevant to that advice) will enable the professional to ensure (as far as can be) that the client gets the benefit intended by the law for that client in the particular circumstances.

So what we are talking about in seeking harmonisation of the law between countries is to give effect to something which is already recognised in many countries around the world. What we need to achieve is local law around the world which is in harmony. That law also needs to reach out and provide protection to clients within each country in relation to advice they receive from IP

professionals overseas. **I suggest that it is hardly a controversial concept to require that each country in effect treat clients of IP professionals overseas the same way as they treat clients of IP professionals at home.**

A treaty or other international instrument should require consistent minimum standards for the recognition and application of client privilege in relation to their advice from intellectual property professional advisers globally.

In the IP context, the privilege deficit is most telling in relation to non-lawyer patent attorneys in which I include 'non-lawyer trade mark attorneys'.

Australia has not yet reached the position where it treats clients in their dealings with overseas non-lawyer patent attorneys the same way as it treats its own. The challenge of this issue has actually arisen for Australia to decide in favour of embracing clients of non-lawyer patent attorneys overseas but Australia has not yet changed its law to reach that standard.

On the home front, for a long time now in Australia (more than 15 years) clients of non-lawyer patent attorneys have had the benefit of privilege in their communications with Australian non-lawyer patent attorneys. Thus, Australia has advanced beyond the position of some in Canada who feel that the sky will fall in on the businesses of patent lawyers if privilege is extended to the clients of non-lawyer patent attorneys. The experience in Australia and in the United Kingdom, both of which recognise client privilege for communications with non-lawyer patent attorneys, stands squarely against the Canadian position to which I refer.

In 2008, I suggest it is a 'curiosity' at best that any country (such as Canada) should focus on privilege as a benefit of the right to practise as a lawyer rather than focusing on the needs of the client.

To get client privilege for communications with non-lawyer patent attorneys in Australia, required an Act of parliament. The drafting of the enactment which is Section 200(2) of the Australian Patent Act 1990 has been refined since 1990 but this has only made the limitations of Section 200(2) more certain. These limitations cause deficiencies in the scope of the client privilege. The relevant provision is thus.

*A communication between a registered patent attorney and the attorney's client in intellectual property matters, and any record or document made for the purposes of such a communication, are privileged to the same extent as a communication between a solicitor and his or her client.*

Does this mean that clients of patent attorneys and clients of patent lawyers (solicitors) have privilege of the same scope? That would appear to be what was intended but the answer is no. Before I deal with the limitations of the wording of Section 200(2), we should look at what is the nature of privilege in Australia.

#### **Nature of privilege in Australia**

- 'Privilege' is an exception to the normal rule in legal proceedings – discovery (ie disclosure and production to the opponent) is required of all documents and oral communications which are material and relevant to matters in issue.
- 'Privilege' is the right of a party in legal proceedings not to have to make disclosure in relation to particular documents in accordance with the previous point.

Accordingly, the normal rule in legal proceedings in common law countries is a rule more fundamental than that of privilege. Privilege is an exception to the more fundamental rule requiring disclosure. For that reason (if not others), when it comes to statutory interpretation, the exception is likely to be interpreted narrowly. That is what has happened with Section 200(2) of the Australian Patents Act 1990 in the Eli Lilly case in Australia to which I refer below.

### **Summary of the Australian Position**

- At first glance, it appears that under the Australian law the clients of non-lawyer patent attorneys were intended to have the same scope of privilege as would apply to their communications with lawyers but that is not the case.
- However, the wording of the provision excludes non-lawyer patent attorney communications with third parties and overseas non-lawyer patent attorneys.
- Thus, the Australian law needs amendment to widen its scope to be communications between clients and to third parties and overseas non-lawyer patent attorneys to more adequately apply to IP advisers.
- Such an amendment would make the scope of client protection more the equivalent of what now applies to communications between clients and their lawyers.

### **Commenting on the Australian position**

So one has to concede that if you are a country starting out to make provision for client privilege in communications with non-lawyer patent attorneys, you should be wary of the inadequacies of the current Australian law. There is however a major point in favour of Australia.

**The major point in favour of Australia** is that it accepts no argument over the qualifications of non-lawyer patent attorneys versus those of lawyers. The concept that non-lawyer patent attorneys are not 'lawyers' is one of definition but not of substance. They do not have the same broad legal training as do traditional lawyers but clients rely upon their training in specialist IP law subjects and their advice on the application of that law to their circumstances. That is legal advice.

The need for privilege exists not because the person has a greater or lesser training in the law but because the client needs to rely upon that person to give the right advice on the facts and law in the particular circumstances applicable to the person requiring advice. The relationship between client and adviser invokes the same need for trust and confidence (to attract full disclosure and frank advice) as applies to lawyers.

Why should a client be worse off by dealing with a professional who has (in one sense) a narrower scope of qualifications than another? The client should not be disadvantaged where the client needs to obtain the advice of the particular professional. It does not seem to make sense that the advice given by a non-lawyer patent attorney should not be protected where the advice given is within the qualifications of that person to give what is on any reasonable view, legal advice.

### **What is to be achieved by the law or amendments made to the law in relation to privilege?**

The papers in the WIPO/AIPPI Conference on CPIPPA in Geneva in May have been published<sup>2</sup>. They provide a substantial comparative law introduction on the status of privilege or equivalent protection in the context of IP professionals applicable around the world.

The WIPO/AIPPI Conference in Geneva in May reminded us of the view expressed by Justice William Renquist of the Supreme Court of the US as a proper principle to be achieved by the law or amendments made to the law in relation to privilege.

The comment made by Renquist J in the *Upjohn* case<sup>3</sup> was as follows.

*'If the purpose of the attorney-client privilege is to be served, the attorney and client must be able to predict with some degree of certainty whether particular discussions will be protected. An uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.'*

One has to say that the Australian law did not come up to scratch. It created such uncertainty as to require litigation on the proper construction of Section 200(2).

That litigation involved the US pharmaceutical companies Eli Lilly and Pfizer<sup>4</sup> and it determined that the provision in S200(2) of the Australian Act has one of the inadequacies to which I have already referred ie of privilege not applying to communications with overseas non-lawyer patent attorneys. The particular reason why it does not apply to overseas non-lawyer patent attorneys is that the Australian law is confined to 'registered patent attorneys'. Registered patent attorneys are those registered in Australia.

#### **Amendment to the Patents Act 1990 proposed by AIPPI Australia, the Law Council of Australia and The Institute of Patent and Trade Mark Attorneys of Australia**

The leading IP NGOs in Australia referred to in the heading have proposed that Section 200(2) of the Patents Act 1990 be amended as follows.

*A communication to or from, or for the purposes of providing information to, between a registered patent attorney or a patent attorney or patent agent of another country and the attorney and the attorney's client in intellectual property matters, and any record or document made for the purposes of such a communication, are privileged as at the date at which privilege is claimed in the same way and to the same extent as a communication to or from, or for the purposes of providing information to, a legal practitioner between a solicitor and his or her client.*

This amendment is a better place for client privilege in communications with a non-lawyer patent attorney to start rather than the current Australian provision. It deals with communications with third parties. It deals with communications with overseas non-lawyer patent attorneys.

Of course, the implementation of such an amendment in Australia requires cooperation by the government in Australia. Negotiations with the Australian government are proceeding to achieve an amendment along these lines.

#### **The differences between lawyers and non-lawyer patent and trade mark attorneys as to the sources of client privilege applicable to them**

The potential sources of client privilege are common law and/or statute. Lawyers are creatures of common law and are also affected by statute. Patent attorneys are creatures of statute.

Thus, the common law is not for non-lawyer patent attorneys a source of privilege. The Patents Act 1990 is the sole source of client privilege in communications with patent attorneys, and so

(mutatis) for trade mark attorneys ie look to the Trade Marks Act. The equivalent provision in the Trade Marks Act is similar to S200(2) of the Patents Act so the same deficiencies arise.

### **The Eli Lilly case (cited above)**

Did privilege apply in Australia to documents between Pfizer and its UK patent attorneys where they were brought into existence for the dominant purpose of Pfizer being advised by its patent attorneys and where the advice was privileged under UK law – No! This outcome cries out for harmonisation.

### **Comparison of privilege applicable to lawyers and non-lawyer patent attorneys**

#### **Lawyers**

- Under common law, client/lawyer privilege is capable of definition case by case.
- By that law, privilege extends to communications by a lawyer with third parties required to give legal advice to a client.
- By that law, privilege extends to obtaining advice from a lawyer overseas in relation to a subject matter litigated in Australia.
- Thus, case by case, the boundaries of privilege are determined.
- Statute law could affect (including limiting or expanding) client privilege in relation to lawyers but there is no such law affecting overseas lawyers and third parties.

#### **Non-lawyer patent attorneys**

- Everything depends upon what the statute says.
- It is arguable on the authorities that communications with third parties for searches or inquiries to be made for the purposes of communication between the patent attorney and the client, may be subject to privilege, but this position does not achieve the Renquist J standard of certainty– ie the fact that it is 'just arguable' means that it is not certain.

---

### **Key points from the WIPO/AIPPI Geneva Conference on Client IP Privilege in May 2008**

The Conference was in the nature of an information gathering and sharing and involved analysis of issues around CPIPPA. The Conference was branded by WIPO after the closure as 'an unqualified success'.

Participants included representatives of Member States and of major companies, and the NGOs - AIPPI, FICPI, ICC, EPI and other non-governmental organisations.

I point to a number very interesting features which emerged.

#### **The position of clients**

Looking at the needs of clients, they are needing advice by IP professionals on issues relating to the same or similar IP, all around the world. Clients have to take their IP professional advisers as they are in the particular country in which they are dealing.

Clients have to rationalise the advice they obtain from one country to the next. This means, that the advice they obtain often needs to be referred from one country to another. This 'referring'

process brings with it a high risk that advice which is privileged to the client in the country of its origin will lose that privilege (ie the privilege in the country of origin) by being exposed in another country to an IP professional who is not 'recognised' for client privilege in the country of origin.

Clients are confused about whether privilege applies or not and whether they are risking loss of privilege or not. Making their positions certain involves obtaining advice and adopting strategies each of which involves cost.

#### **What do national laws achieve for them?**

One country will apply privilege to client communications to and from IP professional advisers (both lawyers and non-lawyers) within that country but when it comes to client communications around the same subject with non-lawyer IP professional advisers in another country, the recognition of client privilege falls down. As I have already pointed out, that is the position as between the UK and Australia, for example.

I have only taken that one example to demonstrate the need for harmonisation. There are many others.

#### **What does this unsatisfactory position do to clients?**

Clients incur substantial costs in determining whether privilege applies or not and in evolving and carrying out mechanisms to avoid the pitfalls of the lack or loss of privilege.

The risk of economic loss and the loss itself caused by the cost referred to in the previous paragraph is a barrier to the transfer of technology and to trade. That is the consequence of clients deciding not to risk doing business or litigating in countries while client privilege is not recognised and applied.

#### **The position of in-house counsel**

The Conference also recognised that the unequal treatment around the world of clients in relation to their employment of in-house counsel, is a substantial problem. Privilege is recognised and applied in a number of major countries (eg USA, UK and Australia). This does not apply in many countries in Europe.

In those countries, the employment of in-house counsel by the client is treated in itself as a reason to conclude that the requisite independence of the IP professional advisers from the client, does not exist. This overlooks the truth that the relationship between an external IP professional adviser can be of far longer standing and of far greater financial earnings than applies to in-house counsel. Accordingly, mere employment cannot as a matter of logic be a reason why requisite 'independence' cannot exist.

The need for clients to employ in-house counsel is an established commercial practice having regard to the employment by companies of in-house counsel being already substantial and on the rise. That is a strong indicator that employment of in-house counsel responds to a need which companies have for the assistance of such employees for efficiency in their businesses, including savings of cost.

#### **Conclusion as to the current state of the law on CIPPA**

Whilst many countries recognise the need for confidentiality and privilege or equivalent protection from disclosure on the one hand, they in effect ignore the real scope of the needs of the clients on the other. That statement relates to both what happens within their countries and where clients in those countries deal with IP professionals overseas.

When it comes to considering the needs of clients to employ in-house counsel, some countries in effect ignore the needs of clients altogether.

The WIPO/AIPPI Conference recognised that the need for redress is urgent. Changes are required in national laws including changes in accordance with minimum standards agreed by treaty or other international instrument. Whatever is achieved by way of redress, it needs to come to the standard specified by Renquist J in the *Upjohn* case. That requires law which enables clients and attorneys to predict with certainty whether communications will be protected by privilege or some equivalent protection, both nationally and internationally.

### **Where to next?**

Following on the WIPO/AIPPI Conference in May the WIPO Standing Committee on Patents (SCP) decided in June that client/patent attorney privilege would be one of the subjects which it would study<sup>5</sup>. **This is a major step forward ie towards devising a rational and efficient client privilege regime where clients are dealing with IP professionals from country to country. In relation to this decision, clients and IP professionals should be grateful to the Member States, WIPO and in particular Francis Gurry (who is now nominated for election as Director General of WIPO).**

Member States and NGOs (including AIPPI, FICPI, ICC and EPI) are among those called upon to make submissions to the Secretariat of WIPO by 31 October 2008. The Secretariat will report to SCP at its meeting in February 2009.

---

### **Footnotes**

---

<sup>1</sup> Australian Law Reform Commission (ALRC) President Professor David Weisbrot stated in the media release on the ALRC's Discussion Paper – *Client Legal Privilege and Federal Investigatory Bodies* (<http://www.alrc.gov.au/media/2007/mr2609.html>) –

"Client privilege is a fundamental principle of common law. It encourages clients to speak fully and frankly with their lawyers, so that they can receive the best possible legal advice – including advice on how to comply with the law"

<sup>2</sup> [http://www.wipo.int/meetings/en/2008/aippi\\_ipap\\_ge/program.html](http://www.wipo.int/meetings/en/2008/aippi_ipap_ge/program.html)

<sup>3</sup> *Upjohn Co v United States*, 449 US 383 (1981)

<sup>4</sup> *Eli Lilly Co and Others v Pfizer Ireland Pharmaceuticals* (2004) 61 IPR 292

<sup>5</sup> See WIPO SCP/12/4 Rev 8(c). The Standing Committee on Patents (SCP) asked the WIPO Secretariat to establish for the next session of the SCP (February 2008) preliminary studies on 4 issues, one of which is "Client-attorney privilege"

---