Questionnaire Q199

Remedies to protect the right of clients against forcible disclosure of their IP professional advice

May 17, 2010

National Group: **Hungary**

Contributors: **Dr. József K. Tálas, Attorney at Law**

Dr. Eszter Szakács, Attorney at Law

Date: 17 May 2010

1. Q199 - Questionnaire

The Groups are asked to reply to the following questions in the context of what applies or what they may consider ought to apply in their own country or by agreement between their country and others, as may be appropriate to the particular question. The responses of each Group need to be endorsed by that Group. It will be helpful and appreciated if the Groups follow the order of the questions in their reports and use the questions and numbers for their responses.

Preliminary Remarks:

The questionnaire seems to require answers on mandatory disclosure or privilege from disclosure of IP advice from the point of view of the client who received it and also from the point of view of the IP adviser who provided it. However, in Hungary the law generally provides professional confidentiality rules only from the point of view of the IP adviser, therefore, we are able to provide answers only from the point of view of the attorney at law and patent attorney as IP professional, since the questions could not be interpreted with respect to the client.

In the Hungarian law there is no attorney-client privilege as such, except in the following two specific proceedings.

The Unfair Competition Act (Act No. LVII of 1996 on the Prohibition of Unfair Market Practices and of Restrictions of Competition, Art. 65/B) stipulates that in proceedings initiated by the competition authority there is a privilege for communications between the client and his/her attorney at law.

In the course of the investigation by the competition authority (Hungarian Competiton Authority), the authority may have access to any document containing business secrets. However, the authority shall not have access to, seize, or use as evidence any document containing communication between the client and his/her attorney at law, as long as the qualification for attorney-client privilege is apparent from the document itself, unless the privilege is waived by the client. However, the officer of the competition authority may inspect such document that is claimed to be attorney-client privileged in order to determine whether it is indeed a privileged communication. If there is a dispute concerning the privileged nature of the documents, the documents shall be deposited in a container that is capable to prevent access to the document. As to whether a document should enjoy the aforementioned protection, the Metropolitan Court of Budapest is entitled to decide within 8 days upon the request of the Hungarian Competition Authority . Against this decision an appeal can be filed with the Court of Appeal of Budapest.

If the Court rules that the aforementioned protection does not apply to the document, it shall be released to the Hungarian Competition Authority ; henceforward the general

provisions applicable to documents shall apply to the released document. If the Court's decision is in the client's favour, the document shall be released to the client.

In a decision of the Hungarian Supreme Court published under BH2009.364 on the applicability of the privilege, the narrow interpretation of the Hungarian Competition Authority was rejected and the documents seized by the Authority which all contained communications between the client (Hungarian Chamber of Pharmacists) and its attorney at law were ordered to be released to the client.

The other proceedings in which there is a privilege are those before the European Patent Office (EPO). According to the European Patent Convention 2000 (promulgated by Act No. CXXX of 2007) and pursuant to Rule 153 of its Implementing Regulations (promulgated by Government Decree No. 319/2007 (XII. 5.) Korm.) there is a privilege for all communications concerning the case between the professional representative and his client or any other person, which communications are permanently privileged from disclosure in proceedings before the EPO, unless such privilege is expressly waived by the client.

This privilege relates to all professional representatives before the EPO irrespective of their nationalities. At present there are about 100 Hungarian patent attorneys who are on the list of professional representatives.

In all other proceedings the client and the IP adviser can only refer to the provisions of the law on business secrets and professional confidentiality, respectively, as explained below.

The Hungarian Constitution establishes that private secrets and personal data are protected by the law [Act No. XX of 1949 on the Constitution of the Republic of Hungary, Art. 59(1)].

Furthermore, the Hungarian Civil Code (Act No. IV of 1959, Art. 81) stipulates that private secrets and business secrets are protected as personal rights. The Civil Code contains a definition of the business secret: all facts, information, solutions or data pertaining to economic activities that, if published, or released to or used by unauthorized persons, are likely to imperil the rightful financial, economic or market interests of the owner of such secret - other than the State of Hungary or local authorities within Hungary - , provided the owner has taken the necessary steps to keep them confidential.

The Act on Attorneys at Law (Act No. XI of 1998, Art. 8) stipulates that an attorney at law is bound by confidentiality with regard to every fact and data about which he gains knowledge in the course of carrying out his professional duties. This obligation is independent of the existence of the agency relation and continues to exist after he has ceased to function as an attorney at law in the given matter. Confidentiality

pertains to all documents prepared by an attorney at law and all other documents in his possession that contain any fact or data subject to confidentiality. An attorney at law may not disclose any document or fact pertaining to his client in the course of an official inquiry conducted at the attorney's office, but he may not obstruct the proceedings of the authority. A client, his legal successor or his legal representative may release an attorney at law from the obligation to maintain confidentiality. An attorney at law even if so released may not be questioned as a witness about any facts or data about which he gained knowledge as a defence counsel. Confidentiality shall apply *mutatis mutandis* to law firms and their employees as well as lawyers' bodies and their officers and employees. This confidentiality stipulated in the Act on Attorneys at Law does not extend to in-house lawyers who are employees and only bound by the confidentiality terms of the employment relationship. It means that facts and data about which an in-house lawyer gains knowledge shall be deemed as business secrets defined in the aforementioned Hungarian Civil Code.

The Act on Patent Attorneys [Act No. XXXII of 1995, Art. 15(1)-(3)] establishes that a patent attorney is bound by confidentiality with regard to every fact and data about which he gains knowledge in the course of carrying out his duties as a patent attorney. This obligation continues to exist after the termination of his engagement as a patent attorney. The aforesaid confidentiality pertains to all documents of bodies of patent attorneys that contain any fact or data subject to the confidentiality requirement of a patent attorney. The client or his legal successor may release a patent attorney from the obligation to maintain confidentiality.

In Hungary discovery in civil proceedings in the sense it is known in Anglo-Saxon legal systems does not exist, and a party is generally not obliged to reveal an IP professional advice in and out of court proceedings.

In civil court proceedings the client (or his/her employee) may be obliged to disclose IP advice in the course of witness testimony unless either of the cases determined by the Code of Civil Procedure allows him/her to refuse testimony.

According to the Hungarian Code of Civil Procedure [Act No. III of 1952, Articles 169 and 170] witness testimony may be refused in the following cases: if the witness is a relative of either party; if by the testimony the witness would accuse himself/herself or any of his/her relatives with a criminal offence; if the witness is an attorney at law, doctor or other person professionally bound by confidentiality, unless he/she has been released from the obligation to maintain confidentiality; if the witness was involved in previous mediation proceedings in the same matter; if a witness is bound by state, service or business secret confidentiality and would violate such confidentiality by providing testimony, unless he/she has been released.

In litigation for infringement of intellectual property rights the client as a party may be obliged to provide communications with his/her IP adviser if the judge – based on the motion of the adverse party – deems it necessary and justified to be obtained as evidence related to the subject court claim. It is also up to the judge to evaluate if the client as a litigating party denies submission of such document. However, up to now we are not aware of any case where a client was ordered to file a copy of any communication with his/her IP adviser.

As for the disclosure

Present position

Local position

1.1 What protection of clients against forcible disclosure of communications relating to IP professional advice applies in your country as to such communications between clients and IP professionals within your country?

Attorneys at law, law firms, individual patent attorneys and firms of patent attorneys are obliged to keep confidential all information, facts, data about which they gain knowledge in the course of carrying out professional duties. In the case of law firms and attorneys at law, the confidentiality pertains to all documents prepared by an attorney and all other documents in his possession that contain any fact or data subject to confidentiality. An attorney at law may not disclose any document or fact pertaining to his client in the course of an official inquiry conducted at the attorney's office, but he may not obstruct the proceedings of the authority. In the case of patent attorneys and firms of patent attorneys confidentiality relates to any fact or data subject to the confidentiality requirement of a patent attorney.

1.2 What protection of clients against forcible disclosure of communications relating to IP professional advice applies in your country as to such communications between clients and third parties (such as technical experts) where their advice is required to enable legal advice related to IP to be obtained and given?

Communications directly between clients and third parties are protected by the provisions concerning the business secrets stipulated in the Hungarian Civil Code. However, if it is not about information that constitutes business secret, it is advisable to communicate through professionals who are legally obliged to secrecy (lawyers or patent attorneys).

1.3 What protection of clients against forcible disclosure of communications relating to IP professional advice applies as to such communications between IP professionals and third parties (such as technical experts) where their advice is required to enable IP legal advice to be obtained and given?

IP professionals bound by confidentiality may only disclose information to third parties (e.g. technical experts) to the extent they are allowed by their client. The information received from third parties for the case of the client belongs to the scope of the secrecy obligation of the IP professionals.

Overseas communications

1.4 What protection of clients applies in your country against forcible disclosure of communications applies to clients relating to IP professional advice where those communications are (a) between their local IP professionals in your country and overseas IP professionals, and (b) between clients and overseas IP professionals?

There is no distinction under the Hungarian law between communications performed within Hungary or the European Union and those with IP professionals of other countries as far as protection of business secret and professional secrecy obligation are concerned.

Scope of protection – qualifications of IP professional advisers

1.5 As to each of the following sub-paragraphs (i) to (iv) inclusive, to what category or categories (eg lawyer, lawyer/patent attorney, non lawyer patent attorney, lawyer/trade marks attorney, non lawyer trade marks attorney etc) of IP professional adviser does the client protection described in your answer to previous questions denoted below, apply or not apply, including whether your answers apply only to external advisers, or also to in-house advisers?

(i) as to 1.1. ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and IP professionals within your country?

Only in relation to IP professionals who are attorneys at law or patent attorneys. As regards of secrecy of other persons (technical experts, employees of a company) only secrecy related to business secrets may apply.

(ii) as to 1.2 ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and third parties (such as technical experts) where their advice is required to enable legal advice related to IP to be obtained and given?

Only the protection of business secrets can be referred to.

(iii) as to 1.3 ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies as to such communications between IP professionals and third parties (such as technical experts) where their advice is required to enable IP legal advice to be obtained and given?

The protection pursuant to professional secrecy can be referred to only by those IP professionals who are attorneys at law or patent attorneys.

(iv) as to 1.4 ie the protection (if any) of clients which applies in your country against forcible disclosure of communications relating to IP professional advice as to those communications which are (a) between their

local IP professionals in your country and overseas IP professionals, and (b) between the clients and overseas IP professionals?

As in the relevant Hungarian law on secrecy there is no distinction between Hungarian and foreign subjects or entities, it can be assumed that a foreign IP professional, who is under obligation of professional confidentiality according to his/her personal law, would be regarded by a Hungarian court to be entitled to refuse testimony for reason of his/her obligation to keep professional confidentiality. Other foreign entities may refer to the protection of business secrets, only.

Limitations and exceptions

1.6 What limitations (eg dominant purpose test, judges' discretion to do justice etc) and/or exceptions (eg crime/fraud etc) and/or waivers apply to the protection described in your answers to previous questions denoted below?

(i) as to 1.1 ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and IP professionals within your country?

In line with the respective European Community provisions, cases of terrorism, money laundering and crimes threatening or endangering people’s life, integrity, freedom or security are always excepted.

In the course of criminal investigations the documents exchanged between the client and the attorney at law or patent attorney or a third person bound by business secret confidentiality shall not be seized but only as long as they are in possession of the mentioned persons. If the same documents are in the possession of the client they are no longer protected and may be seized. Furthermore, the mentioned limitation only applies to communication between the attorney-at-law and the Client and does not apply to instruments elaborated by the attorney-at-law (such as contracts, court submissions) which can be seized without any obstacle.

With respect to proceedings before the competition authority, we refer to the corresponding paragraph in the Preliminary Remarks.

(ii) as to 1.2 ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and third parties (such as technical experts) where their advice is required to enable legal advice related to IP to be obtained and given?

Only business secret confidentiality may be referred to.

In the course of the investigation by the competition authority, the public prosecutor (attorney general) and the competition authority by permission of the public prosecutor, and experts shall have access at any time to the necessary documents for discharging their respective duties, including documents containing business secrets, bank secrets, payment secrets and insurance secrets, and securities and fund secrets specified in specific other legislation, and shall be able to make copies and notes thereof.

The client and other parties to the proceedings may request – referring to safeguarding of business secrets - that free access to the documents for inspection or for making copies or notes be limited. Simultaneously with rendering a decision concerning the request, the investigator or the competent Competition Council may order the client or other parties to the proceedings to supply the same documents with business secrets removed.

(iii) as to 1.3 ie the protection (if any) of clients against forcible disclosure of communications relating to IP professional advice which applies as to such communications between IP professionals and third parties (such as technical experts) where their advice is required to enable IP legal advice to be obtained and given?

The reply is the same as under point (i).

(iv) as to 1.4 ie the protection (if any) of clients which applies in your country against forcible disclosure of communications relating to IP professional advice where those communications are (a) between their local IP professionals in your country and overseas IP professionals, and (b) between the clients and overseas IP professionals?

The same limitations as under point (i).

Quality of protection

Local communications

Does your Group **consider that the protection described in answer to questions denoted below is of appropriate quality, or not, and if not, why not – including what are the problems in practice?**

(v) as to 1.1 ie the protection of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and IP professionals within your country?

Appropriate, since it is extended to patent attorneys as well.

(vi) as to 1.2 ie the protection of clients against forcible disclosure of communications relating to IP professional advice which applies in your country as to such communications between clients and third parties (such as technical experts) where their advice is required to enable legal advice related to IP to be obtained and given?

Appropriate, since these communications may be protected by business secret protection.

(vii) as to 1.3 ie the protection of clients against forcible disclosure of communications relating to IP professional advice which applies as to such communications between IP professionals and third parties (such as technical experts) where their advice is required to enable IP legal advice to be obtained and given?

Appropriate quality when the IP adviser is a lawyer because his communications with a third party will be completely protected in those cases related to the legal advice given to his clients.

Communications with overseas IP advisers

1.7 Does your Group consider that the protection described in answer to question 1.4 above is of appropriate quality or not, and if not, why not – what are the problems in practice?

Appropriate quality, since these communications may be protected by business secret protection.

2. Remedies

The 'device' to be agreed and applied within and between countries

The Working Guidelines indicate that such a 'device' could be on a scale between unilateral changes and treaties. However, unilateral changes will not solve the problem that no country is immune from the potential that IP legal advice which is protected from disclosure within its own borders, will be required to be disclosed in

another country or countries (see para 2.4 (viii)). The Groups are requested to focus on the standard or principle required to remedy problems nationally and internationally (see para 4.6).

Limitations

Tests such as the 'dominant purpose' test.

2.1 Does your Group agree that provision should be made in the agreed principle or standard that countries may limit the documents to which protection applies in their country to such standard or by such test as defines what relationship is required between the documents and the IP legal advice for which protection from disclosure is claimed?

Providing protection for communications of attorneys at law and patent attorneys as well as communications containing business secrets, the Hungarian legal system currently ensures a higher level or protection that the dominant purpose test, which current level is to be maintained.

2.2 As to your answer to 2.1 (bearing in mind that it would not be mandatory for any country to have such a limitation), why?

The Hungarian legal rules exactly specify when and what type of documents should be disclosed which ensures maximum protection from the side of the attorneys/patent attorneys and business secrets holders.

Judicial discretion to deny protection

2.3 Does your Group agree (as para 2.7 of the Working Guidelines suggests) that provision should be made in the agreed principle or standard, that countries may allow judicial discretion to deny protection from disclosure where that is found on reasonable grounds to be required in order to enable the court to do justice between the parties?

Yes, in civil law litigations and only concerning documents in the possession of the party (client). As for documents in possession of a lawyer/patent attorneys or a person bound by business secret confidentiality, judicial discretion should not be allowed, only exemption set by the law may apply.

2.4 As to your answer to 2.3 (bearing in mind that it would not be mandatory for any country to have such a limitation), why?

The Hungarian legal rules exactly specify when and what type of documents should be disclosed which ensures maximum protection from the side of the attorneys/patent attorneys and business secrets holders.

2.5 If your Group considers that the limitation in relation to judicial discretion would be acceptable if expressed differently from 2.3, how would you express it?

Qualifications required of IP advisers

2.6 Does your Group agree (as para 4.14 of the Working Guidelines suggests) that the standard required by the principle agreed should be no more than requiring the IP adviser 'to be qualified to give the IP advice in relation to which the question arises, in the country in which the advice is given'?

Yes.

2.7 If your answer to 2.6 is no, if your Group considers that the limitation would be acceptable if differently expressed, how would you express it?

2.8 If for some category of IP adviser in your country, no qualification is required –

In Hungary, there is no category of industrial property agent or IP adviser which does not require a qualification.

(i) What category is that?

(ii) Do you think that protection from forcible disclosure of IP professional advice should apply to communications relating to the advice between clients and persons in that category?

Not applicable.

(iii) As to your answer to sub-para (ii), why?

Scope of protection against forcible disclosure – the differences between lawyer-client privilege and litigation privilege

2.9 Does your Group agree in principle (para 4.25 of the Working Guidelines raises this question) that the standard or principle agreed should allow countries to limit the protection they provide according to categories of privilege which are currently part of their law?

Being a “civil law country”, the Hungarian legal rules provide protection for all communications of lawyers and patent attorneys related to a commission (case) they undertook from a client, including advice. We are of the opinion that such high level of protection should be ensured in other countries too in order to reach uniform level of protection of clients worldwide.

2.10 If no to 2.9 (bearing in mind that such a limitation would not import any effect on a country that does not already have such a limitation unless it voluntarily adopted such a limitation), why?

Such uniform protection would provide a sufficiently transparent system for commercial entities and clients being involved in IP matters on an international level.

2.11 As to any country which applies a limitation referred to in para 2.9, do you agree that the agreed standard or principle should not deny such a country the right to vary or abolish such a limitation should it wish to do so in the future – in other words, there should be liberty to vary or abolish a presently applied limitation?

We agree provided it does not reduce its scope.

2.12 If yes to 2.11, what limitation (if any) should apply to the liberty to vary or abolish a previously applied limitation and how would you express it?

That it does not reduce the content of the standard, further restricting prosecution.

Exceptions and waivers

2.13 Does your Group agree in principle (para 4.30 of the Working Guidelines suggests this) that the standard or principle agreed should in any particular country be subject to any exception (such as the crime-fraud exception) and waivers which are already part of the law of that country.

Yes.

2.14 Assuming that the maintenance of exceptions and waivers already part of the law of any country is accepted in AIPPI, does your Group agree that the allowance of existing exceptions and waivers should not deny any country the right to vary or to abolish any such an exception or waiver should it wish to do so in the future, in other words, that there should be liberty to vary or abolish a presently applied exception or waiver?

Yes.

2.15 If yes to 2.14, what limitation (if any) should apply to the liberty to vary or abolish a previously applied exception or waiver and how would you express it, in particular should e-g- the limitation dor the “3-point- exception” as discussed in for 4.28 above also set limits in this case?

That it not be an indirect means of introducing further restrictions.

2.16 Since the introduction of the protection against forcible disclosure of IP professional advice in your country, have you experienced any adverse effects

including as reported in case law or known empirically, from that introduction – if so, what details?

No.

The AIPPI proposal compared with the alternative described in Section 5 above

2.17 Leaving aside the potential need to provide for limitations and exceptions in relation to the AIPPI proposal, and assuming there are no other proposals, from the Groups as an alternative to the AIPPI proposal, which of these two proposals (the AIPPI and the alternative in Section 5 above), does your Group prefer and if so why?

Proposals from your Group

2.18 Assuming that your Group would prefer a proposal different from those proposed by AIPPI or in Section 5, please describe the preferred proposal of your Group.

Not applicable.

2.19 The Groups are invited to submit any further comments they might have with regard to the principles of remedies in the context of this Questionnaire, which have not been dealt with or mentioned specifically in the Questionnaire.

No new proposals by the Group.

2.20 With the introduction if protection against forcible disclosure of IP professional advice or any other remedy as discussed above into the national law, do you expect any adverse effects on your national law, the patent system as such or any other? If so, what are the details?

We do not expect that the introduction of the measures discussed above would have any adverse effects on Hungarian law; rather, the contrary would be the case.

Note:

It will be helpful and appreciated if Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.

LHL/AGH/::ODMA\PCDOCS\AARLEG\14720322\1