

WIPO – AIPPI
Conference on Client Privilege in Intellectual
Property Professional Advice

Definition and overview

Dr. Jochen Bühling
Reporter General (AIPPI)

Geneva, May 22 and 23, 2008

j.buehling@aippi.org
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I.

AIPPI has been enjoying a long-standing relationship with WIPO during which numerous projects in the field of IP have been realized. We are therefore happy that WIPO has offered us this opportunity to co-organize a Conference on Client Privilege in Intellectual Property Professional Advice. Both organizations share the goal of improving IP systems and IP protection worldwide. Whereas WIPO serves as the International Organization representing Governments and its Member States, AIPPI is a non-governmental organization.

AIPPI, the International Association for the Protection of Intellectual Property, is the world's leading non-governmental international organization dedicated to the development and improvement of intellectual property. It is a politically neutral, non-profit organization, domiciled in Switzerland which currently has over 8000 Members representing more than 100 countries. Its membership comprises lawyers, patent attorneys and trademark agents as well as judges, scientists, engineers and other members of academia and corporations.

The objective of AIPPI which was founded in 1897, is to improve and promote the protection of intellectual property on both an international and national basis. It pursues this objective by working for the development, expansion and improvement of international and regional treaties and agreements and also of national laws relating to intellectual property.

It operates by conducting studies of existing national laws and proposes measures to achieve harmonisation of these laws on an international basis. The studies result in Resolutions which are adopted by the Executive Committee of AIPPI and which are then submitted to national and international bodies, lawmakers, patent and trademark offices and other GOs and NGOs.

II.

In the context of its work AIPPI has become increasingly concerned with issues relating to the enforcement of intellectual property rights. As mentioned above, AIPPI is not only an association which represents the view of a specific interest group. It ties together views from all circles interested in the development of IP protection and IP systems. This includes the applicants, i.e. the clients (in many occasions also called "the users"), and also attorneys and non-lawyer IP advisors representing their clients. Another important role is in relation to identifying public interests and those of third parties.

Any IP system can only be successful in the long run if it considers all aspects of IP protection and the interests of all parties involved. Only a fair and well-balanced system can provide protection which is widely accepted and does not favour one side over the other.

On the other hand IP systems are only as good as are the means to protect their users. This does in the first place relate to having an effective system for obtaining IP rights and their prosecution. For the stage after grant it is vital to have an

enforcement system which provides for effective and timely means allowing the IP owner to pursue the rights conveyed by the IP right against third party infringers.

IP prosecution and IP enforcement require that the IP owner can freely communicate at any time with an IP advisor. IP advisors are essential not only for the IP owner. They guarantee a high quality standard of IP applications and of the work which is being done in the prosecution of these applications. This requires a free flow of information between the client and the IP advisors. A free flow will, however, only occur if the clients can be sure that any communication which is confidential will stay confidential and will not be subject to measures in court or other proceedings where the content of the communication has to be revealed to a third party or made public otherwise. Anything which can be seen as an obstacle to such a free flow of information will inevitably lead to less communication and thus result in a loss of quality. At the end of the day, this will harm the IP systems as such.

Therefore, a guarantee for the free communication between the client and the IP owner will benefit the IP systems as a whole.

This is the core of the client privilege. The scope of this privilege and the conditions under which privilege applies are decisive for such guarantee. Certainty is required for the client that the confidentiality of communications between the client and that person's advisor are secure from disclosure.

III.

The current status of the issue is characterized in a divergence between the interests and the needs on the one side and reality on the other hand. A careful analysis of the status shows that short-term and long-term solutions are necessary to avoid further deficits.

1. It is a common misunderstanding that privilege is in the interest of the lawyer (attorney) acting on behalf of his client. The ideas about privilege become somewhat vague in describing its content and scope and in particular in defining the underlying interest.

In fact, privilege is not in the interest of a sole interest group or even of an individual. It is a common interest both of private entities and of the public. Looking closer at this interest one will realize that this interest is identical.

The private interest of the IP owner is to get the best advice possible from the IP advisor. As explained above, this will require that confidential information contained in communication between the IP owner and the IP advisor remains confidential, unless the IP owner waives this privilege.

At the same time it is also in the interest of the public to ensure that the IP owner gets the best advice possible. The reasons of the public in this respect may differ from the reasons of the IP owner. Whereas the interest of the IP owner is subjective, namely to get the best result out of the consultation with his IP advisor for his own purpose or business, the parallel interest of the public is

similar. It is in the interest of the public to ensure that the IP owner gets the option to obtain the best advice possible in order to fulfil their needs equally well. Their needs include having the law correctly applied to the client. Thus, the interests of the client and of the public are identical.

2. The underlying interests which justify the privilege (against disclosure) are the needs of the client and of the public.

The more IP has become international, the more it is important for the clients to seek advice not only domestically but also from foreign IP advisors in other countries. It is commercially inevitable for clients doing business in more than one country to inform themselves about the IP environment in all the countries with which the clients get in contact in their business. This has a double function. On the one hand, the clients have to protect their own IP as one of the major assets against third party infringers. On the other hand, there may be IP of other enterprises which might prevent the clients from carrying out certain business activities. It is apparent that the best advice will have to come from IP advisors in that specific country. They are naturally the best suitable advisors for their law. Only the advice of experts in different countries will give the clients the full picture and will enable them to calculate the risks and to take reasonable and well-founded business decisions. Only by these means will clients be able to compare and challenge IP and the IP systems.

The reflection of this can be seen in the needs of the public. The economic needs of modern technology transfer and trade make it important to support the market players, i.e. the clients. Only if clients are put in the position to identify the issues related to IP in the various places of business will they be willing to accept the risks connected to their business. The less information is available the less likely it is that clients will transfer their know-how and IP to other countries. Modern economies cannot survive without technology transfer. This is not a one-way street. A transfer of technology in connection with international trade happens out of the country in order to explore new markets and vice versa with the goal of introducing new technologies to the domestic market. Economies can only develop, expand and grow with the help of technology transfer. Thus, in the end, the advantages for the clients resulting from the technology transfer will also benefit national economies.

In reality these needs are not always fulfilled. Both on an internal and external level there are major deficiencies. Although the situation seems more promising on an internal (domestic) level, there is still much room for improvement. Externally (internationally) there is almost no solution existent in relation to client privilege.

3. The starting point is the lawyer-client privilege also called “attorney-client” privilege. This is widely accepted and acknowledged and far from being questioned. Most countries have introduced and follow the legal principle of an “attorney-client” privilege. However, this principle is too narrow and limiting, in particular when it comes to IP cases.

For practical reasons clients require advice not only from lawyers but also from other IP experts. These non-lawyer IP advisors comprise patent agents, technical experts and a number of other people dealing with IP on a professional basis. Internally, privilege which has been acknowledged for communications between clients and lawyers needs to be expanded beyond attorneys and should cover other IP professionals as well. Many countries recognize this deficit, but are unable to make progress in improving their system in this regard.

Similar problems occur on the international level. As stated above, the search for advice cannot reasonably be limited to one country. On the contrary, if advice is given in another country abroad, there is a lack of acknowledgement and recognition of privilege. Even if in one country there may be an expansion of the attorney-client privilege to non-lawyer IP advisors, this does not automatically lead to the application of the same privilege to communications with IP advisors in another country. This leads to unacceptable gaps between countries over the border.

These deficiencies have a wider negative effect beyond the specific case in which they are detected. These negative effects are hazardous for the entire IP system and lead to imbalances. As can be seen above, technology transfer and trade are very much dependent on well-functioning IP systems. Limiting the privilege means limiting opportunities and in particular the possibility for clients to obtain the best possible advice which they need, both within their own country and internationally.

Insufficient advice leads to a lack of quality of IP. The loss of the “whole picture” puts the clients at a risk which they cannot afford and will not take. The result is either diminishing the quality of the IP or a reduction in technology transfer. Both are clearly undesirable and counterproductive for the development of economies.

Quality of IP is the key element for the acceptance of IP in general and for IP systems and for the economic benefits for the countries offering these systems. Worldwide the criticism of IP has become louder and voices against IP protection are raised more frequently. Having lesser quality than can be achieved by applying client privilege where it is needed, inevitably plays into their hands, something which nobody wishes to happen.

IV.

The problem is obvious and objectively incontestable! The need for a common solution is not controversial! The right way for a solution will have to take into account internal and external issues and will in particular have to address the specific questions in connection with IP.

1. Privilege may generally be defined as the right of a person not to have to disclose confidential information which would otherwise have been required. This is in particular the case, where statutory law or court rules require the

production of certain documents or statements, i.e. testimonies, depositions etc. Where there is an interest of the client not to disclose the information, as an exception from these rules, the privilege allows the person to keep the documents secret and to be silent on certain issues. Scope and prerequisites as well as the obligation to produce documents vary from jurisdiction to jurisdiction. However, the principle is that confidential communications between the client and his attorney may remain confidential and are exempt from any obligation to disclose the information contained therein. Privilege relates to certain questions and issues of a specific case.

2. One needs to keep in mind that the privilege is not the privilege of the lawyers, of the attorney, counsel or of the court. It is solely the privilege of the client who is advised including as a party to a lawsuit or a legal action. Certain jurisdictions may take different approach in this regard. But the general understanding should be that the client is privileged in that he will not have to disclose certain confidential information under certain conditions (the "privileged information").

Consequently, it is only the client who can waive the privilege. If he chooses to do so he may disclose the information. It is his sole decision. No lawyer, advisor or court may take this decision for the client or against his will.

3. The problem of the privilege in general has specific facets when it comes to IP matters. These issues have to be included in any solution which is trying to solve the problems outlined above.

Although the need to seek advice from non-lawyer IP advisors and foreign advisors will be more relevant with regard to patent matters, the same problems occur in trademark or design protection cases. The focus of the advice there may be different, e.g. less technical or focussed on prior art, but nevertheless there will be questions addressed to IP advisors as well which could be the subject of privilege.

Privilege in IP matters needs to cover not only legal questions but also technical issues. In many cases such technical questions may even be of much greater significance and relevance than purely legal questions. Issues like the interpretation of claims, specific questions about a piece of prior art or the idea of the inventor can be decisive for a case and need advice from IP experts, not just IP lawyers.

This makes it evident that the privilege has to cover all the people who are involved in giving the advice. The system is incomplete if it is limited to lawyers or attorneys and excludes other non-lawyer IP advisors, such as patent or trademark agents or technical experts. A privilege which does not cover these people is not sufficient to provide for the mutual private and public interest in encouraging the obtaining and providing of the best IP advice.

4. Critical situations occur when IP advice is sought in various jurisdictions. Although an IP right is in principle a territorial right limited to one country,

experience shows that many IP owners try to cover their IP in more than one country, namely wherever their markets are (technology transfer). Automatically, the advice they need will have to cover various jurisdictions. A lawsuit in one jurisdiction may have an effect on advice given in another jurisdiction.

This is in particular important where civil law and common law countries clash. Although pre-trial discovery and depositions seem to have their basis in common law jurisdictions, we see more and more developments also in civil law countries which introduce elements of these proceedings so that the issue of the privilege gains greater relevance. A recent example is the EU Directive on the Enforcement of IP rights. This directive which has to be transformed into national law in all member states of the EU contains provisions which force the defendant to produce certain documents including business documents which may be relevant to proof or indication of infringement. The wording of that provision is rather broad and may be rather critical for the defendant. In these cases, an adequate privilege will be necessary to safeguard the interests of the defendant and also to balance the powers of the parties to the lawsuit.

5. A point of hot debate will certainly be the question of the qualification of the IP advisor which would allow the client to invoke the privilege with regard to communications between him and the IP advisor. Essentially the qualification which makes the IP advisor a lawyer or attorney should be recognized for the application of the privilege.

It becomes more difficult when the circle of people has to be expanded. We have seen that there is a need on all sides to include non-lawyer IP advisors into the privilege. This will mean to find a common standard for the qualification of these advisors before they can be included. The existing standards for qualifications of IP advisors could not be more diverse. They range from long and extensive university studies and degrees to a simple registration without examination.

It would not seem appropriate to expand the privilege to every person irrespective of their qualifications as long as they are allowed to give advice on IP according to the rules of their countries. Such a solution will not be acceptable for the majority of countries and would most probably not address the critical issues in a sufficiently reasonable and adequate manner.

The debate will have to focus on setting minimum standards for the qualification which are acceptable to at least a great majority of countries in order to be as much inclusive as possible. A solution which only covers a few countries will not be of much value. A wide consensus must be found.

6. Another aspect in the context of privilege is the position of in-house counsel. In many jurisdictions not even the well-established attorney-client privilege is applicable to in-house counsel. Only recently, the European Court of First Instance has rendered a decision in which the application of the privilege was denied (*Akzo*). The case was not an IP case, but dealt with issue of antitrust and

the obligation of the party to produce documents which were created internally by the in-house counsel.

The reasoning behind the denial is manifold. Foremost, it is argued that the company who has employed the in-house counsel is not a client in the sense of the privilege. The client and the counsel have to be different and may not be part of the same entity. To support this, the criterion of independence is raised. According to this opinion only an independent person can be considered as an attorney to whom the privilege is applicable. This is denied in the case of an in-house counsel who is employed and who owes his work force to his employer. The view is that he cannot be employed and independent in giving legal advice at the same time. Therefore, in a considerable number of jurisdictions in-house counsel are not allowed to represent their employers in court where a representation by an attorney is mandatory.

The problems of in-house counsel are not typical IP problems but occur in all legal fields. This illustrates that their problems are much more complex and may have to be dealt with at a different forum. Nevertheless, they are important and should be included in this project as much as possible.

V.

The need for a solution is obvious, the will to come to a solution is there. What needs to be developed is the appropriate way.

Substantively, it will be important to develop and harmonize national laws. The gap between jurisdictions which has been described earlier needs to be closed. This requires mainly two things:

- Set minimum standards for the expansion of the privilege to IP advisors who are not lawyers
- Accept foreign privilege as equal with own national privilege

The way to reach these goals has to be explored. Any solution which can include as many countries as possible will be desirable. AIPPI has proposed to WIPO already in 2005 to start working on a worldwide treaty which would fulfil those needs as a first step. Now it is time to make it happen.