PP06/10

PRIVILEGE IN THE EEUPC

SECTION I: BACKGROUND AND OVERVIEW OF THIS PAPER

The IP Federation represents IP-intensive companies in the United Kingdom (see list of members attached), including companies which have been engaged as plaintiffs and defendants in patent actions. These companies have especial experience of discovery (or "disclosure") as it exists in the England and the United States, and of the exception to discovery which is known as privilege. The law of privilege first grew up in England (over centuries), and was adopted in the United States, as being *in the public interest*.

The proposed EEUPC will have the power to order discovery, and therefore the provisions for privilege will be of great importance.

The Federation considers that privilege needs very much more than is provided by the present draft Rule 362. The following sections of this paper deal with the following points:-

> Section II makes proposals on attorney-client privilege.
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> Section III makes a proposal on litigation privilege.
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> Section IV explains why, for international reasons, the principles set out in Sections II and III must be explicit in a primary legislative act, not merely in the Rules of the EEUPC.
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> Section V explains in detail the likely effect on applicant and patentee behaviour of not adopting a régime along the lines suggested in Sections II to IV.

Unless attention is paid to the points raised in Sections II and III below, the Federation predicts that serious injustices will be done to both plaintiffs and defendants before the EEUPC as documents which under the present régime would *not* be discovered before national courts become discovered before the EEUPC.

Moreover, unless attention is paid to the points raised in all of Sections II to IV below, serious injustices will be done to both plaintiffs and defendants, especially European-based ones, who litigate *in the United States* even if they are not engaged in a parallel action before the EEUPC.

As explained in Section V, an effect of such injustices would be to provide an incentive to applicants and patentees to avoid the EEUPC and the EPO, reducing use of the *existing* European patent system as well damaging the prospects of the EEUPC and the proposed EU Patent.

SECTION II: ATTORNEY-CLIENT PRIVILEGE

The Federation urges that the provisions on attorney-client privilege should be fair and comprehensive. For the reasons given later in this Section, the Federation fears that they will not be unless positive action is taken in establishing the EEUPC. Key features of fair and comprehensive provisions on attorney-client privilege would in the Federation's view be as follows:-

(i) Communications with legal advisers *not* involved in the trial should be eligible for privilege (as well, of course, as the legal advisers acting for the parties in the action)**.** Experience in common-law countries is that the communications most in need of attorney-client privilege (in the public interest) are –

> those involving the plaintiff and relating to the obtaining of grant of the patent in suit, especially relating to the priority filing, and
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> communications involving the defendant who has sought advice about the infringement risks posed by the patent in suit before beginning the commercial operations that are now alleged to infringe the patent.

These communications will in general precede the commencement of an action by some years, sometimes by a decade or more.

(ii) Clients of *non-European* legal advisers should not be discriminated against unfairly. This is a substantial issue because in practice very many litigants will have sought advice from non-European advisers on non-European patents corresponding to the European patent in suit. Advice may well have been given on patentability to the plaintiff (or on infringement risks to the defendant) on very similar facts and law in those countries, and this advice may therefore be as sensitive in the European litigation as advice given directly on the European patent in suit. It would be unjust – and internationally discriminatory – if parties who, out of necessity or prudence, had sought legal advice outside Europe were disadvantaged compared with others. It would be especially unjust - and especially internationally discriminatory - if a plaintiff before the EEUPC whose priority application was drafted by a US patent attorney (*e.g.* because the invention was made in the US) had all its (especially sensitive) communications relating to its priority filing discovered in circumstances where communications of a plaintiff concerning a European priority filing would be privileged.

(iii) Communications with *in-house* intellectual property advisers should not be discriminated against unfairly. Note that the *majority* of priority patent applications are drafted by in-house advisers, who may well

(depending on the territory) be subject to the same ethical regulation as their private practice counterparts, in particular to be independent and not to deceive.

(iv) On a technical issue, it is important that **not only the communications themselves but also the preliminary notes and drafts** which are not communicated need to be covered.[1]

Dealing with the Federation's concerns (ii) and (iii) above will require the making of a clear distinction between the law on privilege before the EEUPC and that in relation to European Commission competition law investigations in the *AM&S* case.[2] The Federation argues that it would be quite inappropriate to apply to disputes between private persons before the EEUPC the same principles as apply to seizure of documents by a competition law enforcement agency acting in the public interest against a private person.

Draft Rule 362 on attorney-client privilege reads as follows:

> **Attorney-client privilege.**
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> **Where advice is sought from a representative in his capacity as such, all communications between the representative and his client or any other person, relating to that purpose and being of a confidential nature, are permanently privileged from disclosure in proceedings before the Court, unless such privilege is expressly waived by the client.**

This wording fails to deliver any of the *desiderata* (i) to (iv) above, as follows:-

(a) The "representatives" referred to are defined under paragraphs (1) and (2) of Article 28 of the Agreement for the purpose of appearing before the Court. Clearly, the parties need privilege for their communications *whenever advice is taken,* e.g. in the course of preparing and filing patent applications and in the course of considering infringement risks. European Patent Attorneys ("EPAs") without an additional litigation qualification are not covered by the present Rule 362; but EPAs clearly need to be covered, for *they will have drafted and prosecuted the vast majority of the European patent applications leading to the patents in suit*.

(b) The use of the word "client" does not clearly cover a company representative's employer. The same word is, admittedly, used in UK law, but the UK Courts interpret it to include the employer of an "in-house" legal adviser; but for the EEUPC, being a new Court, a neutral word like "party" would avoid the risk of a contrary interpretation.

(c) There is no reference to advisers having status in any forum other than the EEUPC, or to preliminary notes or drafts.

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[1] The UK legislature, for instance, has chosen to make this explicit rather than leave the matter to judicial interpretation, recently inserting sub-paragraph (1)(b) into Section 280 of the Copyright, Designs, and Patents Act 1988.

[2] Case 155/79 *AM & S v Commission* [1982] ECR 1575, in part under appeal in the *Akzo* case.

We respectfully suggest that a suitable text on attorney-client privilege might be (in a primary legislative act – see Section IV below) the following:-

> **Attorney-client privilege**
>
> **1. Where legal advice is or has at any time been sought from a legal adviser by any party on a matter relevant to the action before the Court, then any confidential communications between the legal adviser and the party or any other person shall be permanently privileged from disclosure in proceedings before the Court, unless such privilege is expressly waived by the party.**
>
> **2. Any documents, materials, or information produced in connection with communications referred to in 1 shall be likewise privileged.**
>
> **3. A "legal adviser" referred to in 1 shall be –**
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> **(i) a person entitled to act as a representative under Article 28 of the EEUPC;**
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> **(ii) a person who is a professional representative before the European Patent Office under EPC Article 134 (1);[3] and**
>
> **(iii) a legally-qualified person (regardless of the jurisdiction in which he is qualified) subject to ethical regulation comparable with that of professional representatives before the European Patent Office.**
>
> **4. A person shall not be debarred from being considered a "legal adviser" by reason only that he is employed by the party or by a person associated with the party. Professional representatives before the European Patent Office under EPC Article 134 (1) shall all be considered "legal advisers", regardless of the identity of their employer, if any.**

This proposed text is supported by the arguments above. Our only further comment is that, by way of example, we would under 3(iii) and 4 above expect the EEUPC to be minded to include, regardless of the identity of their employer (if any), among others UK registered patent attorneys, UK solicitors, and US attorneys-at-law, whether further qualified as patent attorneys or not. By doing this, the EEUPC would accord the parties which they advise protection against discovery similar to that which is accorded by their local courts in UK and USA respectively. (UK solicitors would also qualify under 3(i).)

[3] Article 134 (1) defines European patent attorneys (EPAs). Particularly relevant ethical obligations of EPAs are contained in the EPI Regulation on Discipline, Article 1.1 and the EPI Code of Conduct, Article 1 (c).

SECTION III: LITIGATION PRIVILEGE

Common law countries also acknowledge a second form of privilege. Once a litigation is contemplated and throughout the litigation, the parties undertake have many internal discussions (e.g. as to the tactics of the litigation and the possibility of settlement) and also external discussions (*e.g.* concerning the financing of the litigation). Not all of these discussions involve legally-qualified people. Self-evidently, it would be impossible to conduct a litigation in an organised fashion if such communications were available to the other side in a litigation. Such privilege is known as "litigation privilege".

Therefore, provision for litigation privilege before the EEUPC is essential.

SECTION IV: THE INTERNATIONAL DIMENSION - THE NEED FOR A PRIMARY LEGISLATIVE ACTION ON PRIVILEGE IN THE EEUPC

In recent years, including in the Standing Committee of Patents of WIPO, it has been recognised that privilege is not a matter that can usefully be considered exclusively in a purely national or (in the case of the EEUPC) a purely regional context. The key issue is litigation in USA, the commercial importance of which is of course very great. In USA discovery is very extensive (more extensive than in the United Kingdom, for instance). There have been numerous patent infringement cases in which a party to a US litigation has sought discovery of communications of the other party with non-US patent advisers. In these circumstances, the US Court[4] requires the party from whom discovery is sought to provide evidence as to whether those communications would enjoy privilege in the local court of the non-US adviser. Unless privilege in the local court can be proved, discovery is ordered by the US Court. *Custom and practice* in the local Court of not requiring discovery of a particular class of communication is *not* sufficient to persuade the US Court to treat it as privileged.

Only a primary legislative act, either the main agreement establishing the EEUPC or a separate agreement, would be likely to persuade a US Judge that EEUPC Judges were truly prevented from ordering disclosure of a particular communication, and therefore worthy of privilege in the US Court. Therefore it is essential that attorney-client privilege and litigation privilege should be provided for (along the lines of Sections II and III above) in such a primary legislative act, *not* merely in the Rules of the Court.

Privilege is of especial importance in USA because of trial by jury of patent cases, contrasting with trial by judges throughout Europe. Whereas a Judge might be able to assess the communications between a legal adviser and an inventor or a potential infringer fairly, jurors (however well directed

[4] See especially *Bristol-Myers Squibb Co v Rhone-Poulenc Rorer,* 188 FRD 189 (SDNY 1999), and *In Re Rivastigmine patent litigation,* 237 FRD 69 (SDNY 2006).

by a Judge) will find this difficult because they lack experience of how legal advisers work.

The parties most likely to be disadvantaged by the use of a Rule rather than a primary legislative act would be plaintiffs suing in USA for infringement of a US patent on an invention made in Europe (so that the priority patent application may well be a European patent application) or defendants who have taken advice from a European patent attorney about the European patent corresponding to the one which they are alleged to infringe in USA. In practice, European-based industry would be especially disadvantaged.

SECTION V: INDIRECT EFFECTS OF AN INADEQUATE PRIVILEGE REGIME IN THE EEUPC

The injustices which would follow if a good régime for privilege in the EEUPC is not adopted are, of course, bad in themselves and need to be avoided along the lines set out in Sections II to IV above. In addition, it needs to be noted that a poor régime for privilege in the EEUPC would be damaging for the entire patent system in Europe, as applicants for patents and owners of existing European patents sought, justifiably, to avoid the EEUPC régime altogether. They could do this in the following ways:-

(i) Applicants for new patents could use the national routes for obtaining patent protection instead of the EPO so as to avoid the jurisdiction of the EEUPC, at some extra cost to themselves. Such applicants would likewise avoid use of the proposed EU Patent when it in due course became available.

(ii) The owners of existing European patents could opt out of the jurisdiction of the EEUPC.

It is worth explaining in more detail, in respect of (i), why the national routes would improve the applicant's position in respect of privilege. We take as an example the patenting, in various countries including UK, USA, and France, of a UK-made invention:-

> If *a UK national application* were be drafted by a UK registered patent attorney, and *US and French national* applications were filed by US and French attorneys instructed by the UK attorney, then the situation would be this. Disclosure of the communications between the UK inventor(s) and the UK attorney would be privileged before the UK Court under Section 280 of the UK Copyright, Patents and Designs Act 1988. The US Court would treat these communications as privileged in relation to a proceeding under the corresponding US patent because it was satisfied of the existence of privilege before the UK Court. The French court would be unlikely to order discovery because extensive discovery of the plaintiff's documents is not normal

in France at all, being a civil law country (unlike UK and USA, which are common-law countries).

In contrast, if the same attorney (whom we assume to be an EPA as well as a registered UK patent attorney) *used the EPO to obtain the UK and French patents*, and the privilege régime were inadequate before the EEUPC, then the EEUPC Judges would have the power to order discovery of the communications of the attorney with the inventors. *Regardless of whether the EEUPC Judges in fact exercised this power,* the US Court would then order discovery of the communications between the inventor(s) and the patent attorney. Once the communications were, as a consequence, available to the alleged infringer, then he would probably be able to use them before the EEUPC Court also.

Similar considerations apply in respect of (ii).

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The IP Federation (formerly TMPDF), represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. It is listed on the European Commission's register of interest representatives with identity no: 83549331760-12.

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