

Privilege - pitfalls and obstacles for clients operating in multiple jurisdictions

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No country has a monopoly on human inventiveness. In a global economy, inventors (of whatever nationality) need to protect their inventions worldwide. To take the UK as an example, of the UK national patents granted in 2005, only 37% were granted to UK nationals. In fact, most UK patents are now granted through the EPO where the figures are even more marked; of the European Patents granted in 2005, only 4% were granted to UK nationals. The same is true, to some degree, of every country.

So, in whichever country you choose, you should expect most patents to originate from inventions made abroad – even for the biggest countries, “abroad” is a large place. Your courts will be used by foreign inventors to protect their inventions, just as your fellow countrymen will defend their own inventions abroad.

Thus, although seeking rights and litigating them in multiple jurisdictions is unusual for the law in general, it is the norm in intellectual property. And because most patents in any country are in foreign ownership, most patent litigation involves at least one foreign litigant – again, something that is unusual for the law in general.

What happens in practice? Your company makes an important invention. The technology is complex. You need to protect it in multiple countries. There is no “world patent”. You need a separate patent, and therefore separate representation, in each territory. One day you need to enforce it. Again, you need to fight in multiple territories, not necessarily of your own choosing. Again, you have to act through separate representatives in each.

Who are the personnel involved? Because the technology is complex, you cannot use your usual trusted generalist lawyers. Instead, you turn to a recognised local patent agent or patent attorney, who has technical training, instead of formal legal training. The local patent agent will talk to the inventor, perform prior art searches, draw up a draft patent application with the inventor’s assistance, and make the “home” filing in your home state. At the end of the year, you want to file a PCT application for international protection. Your local patent agent is the person who is entitled to act as representative in the International Stage¹. Thus, during the first 30 months, the local patent agent will advise you on the International Search and Examination procedures, and respond on your behalf with technical and legal arguments, and amendments to the patent application if necessary.

Preparing the initial application can be expensive, and foreign filings at the end of the International Phase multiply that expense many times. You will therefore want a frank assessment from your patent agent about the chances of getting the patent granted, and the likely value of the resulting patent, before you go ahead. That kind of frank assessment keeps you from wasting your budget on worthless applications,

¹ PCT Art. 49, R 90.1(a)

and likewise prevents the patent registers from becoming clogged up with unenforceable patents that nonetheless can chill competition.

However, even the best advisor does not always get it right immediately. Some valuable inventions are too complex to understand immediately, and others are deceptively simple. The patent agent often changes his initial view after discussion with the inventor. If he does not do so, you may in the end prefer to listen to the inventor, and go ahead over the advice of the patent agent who knows less about the detail of the technology.

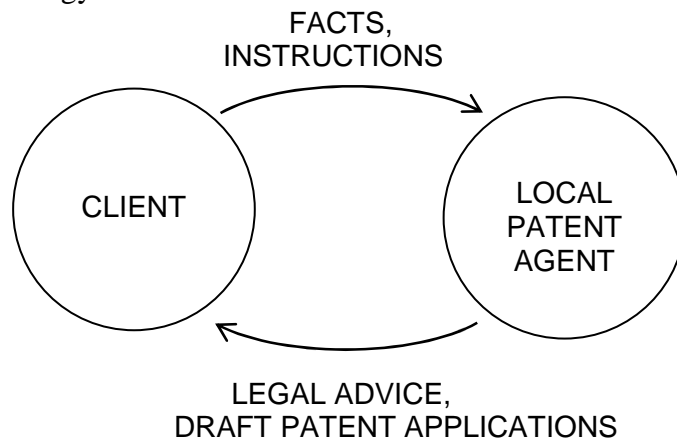


FIGURE 1 –The domestic filing (or the international phase)

If you file foreign applications, or proceed in foreign national phases at the end of the PCT International Phase, you have to appoint foreign representatives to file the application in each designated or elected State. Some states will not examine technical issues at all, but for the many that use technically qualified patent examiners, it is necessary again to appoint a foreign patent agent or attorney with a technical background to negotiate with the local patent office. Usually, you will correspond with each foreign patent agent via the local patent agent.

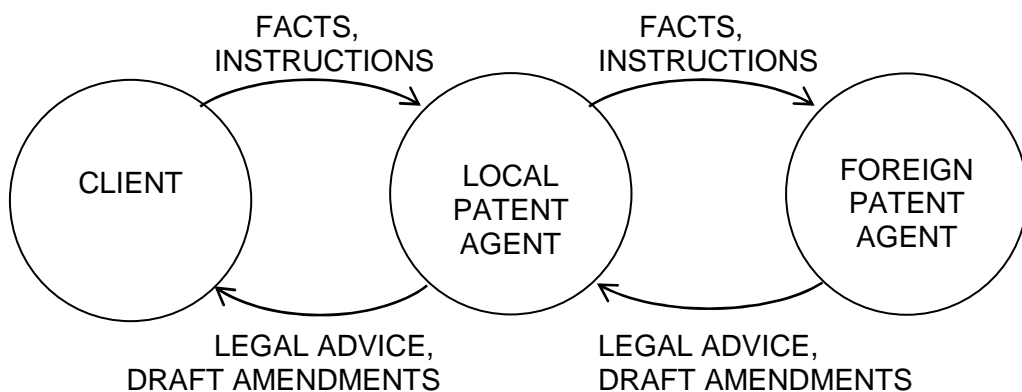


FIGURE 2 – The foreign filings (or the national phase)

Substantive patent law is still not fully harmonised in many areas. Thus, you will need the foreign patent agent not only to report the opinions of the foreign patent examiner and to act as a post-box in reply, but also to offer frank advice about the prospects of success under his local law, so as to save you wasting your budget on arguing or appealing against the foreign patent examiner in a lost cause. On the other

hand, your local patent agent is also needed because of his past familiarity with the application, and his ability to co-ordinate with foreign filings in other countries and his ability to translate foreign legal advice into terms you can understand.

Patent agents thus have two roles; representing your best case to the patent office, and advising you frankly on your chances of success, and what in general you should do in your best interests. They don't always get it right, and some are more cautious than others, as with legal advisors generally, but at their best they combine the technical knowledge to understand and discuss the technology with the inventor and the patent office examiner, with the legal knowledge to understand and formulate arguments in terms of the patent law.

Over the next decade, your patent is granted in the various countries you chose. Some time later, you need to enforce it worldwide against infringers. Amongst the markets you need to protect are the US, the UK, Canada, Australia, India, Malaysia and Singapore. All have the common law "discovery" system, in which each party must disclose relevant documents on request to the other side, and to the Court, as required by TRIPS². You appoint lawyers in each state, and instruct them to sue. They all communicate with each other and with you. All such communications are protected from discovery, because under the common law, confidential communications with lawyers, whether local or foreign, are protected by attorney-client privilege.

But patent litigation is expensive. Much of the expense is due to the need to educate the non-expert judge or jury in the advanced technology so that they can decide whether the invention was obvious at the priority date to one skilled in the art.

So it is tempting for a court to take short cuts. Instead of answering the objective question: "what does the claim mean?" it is tempting to say: "*well, the inventor or the patent agent thought it meant X then, so the patentee can't say otherwise now*". Instead of answering the objective question "was it obvious to the skilled person?", it is tempting to say: "*well, the inventor or the patent agent thought it was obvious then, so the patentee can't say otherwise now*". If the discovery process puts these documents in front of a court, they will leave an impression.

In each case, the short cut may well get to the wrong answer. Competitors cannot know what the inventor or the patent agent thought, and it shouldn't matter. Patents are intended to be complete in themselves, so that the meaning is clear to the skilled person from the face of the patent document. Likewise, obviousness or inventive step is an objective standard, and it should not depend on the secret opinions of an inventor or patent agent. So allowing discovery of communications between inventors and patent agents is not necessarily helpful, and may be harmful, in judging the objective questions which arise in most patent cases.

When multiple jurisdictions are in play, matters become even more complex. As patent law is not harmonised, every country has the right to apply its own standards to common requirements such as inventive step³, or sufficiency of disclosure⁴. Frank advice from one foreign agent that an application may not meet the high disclosure

² TRIPS Art. 43(1)

³ TRIPS Art. 27(1)

⁴ TRIPS Art. 29(1)

standard established by case law in his country may have no relevance to another country where more general knowledge is imputed to the reader. However, again, it is a tempting short cut to get the advice disclosed. Parties frequently seek discovery of such documents to obtain prejudicial effects from what those documents disclose.

Discovery may also create two further systematic problems. Firstly, discovery is one of the major costs of patent litigation, and scrutiny of irrelevant documents wastes time and money not only for the parties but also for the court. It can pressure the party having to make discovery to give up.

Secondly, if there is even a threat of discovery, well-informed patentees (for example those who come from common law countries where discovery forms a routine part of litigation) can be tempted to avoid discovery by not obtaining frank advice. That can result in more poor quality applications, and patents, and ultimately in less competition and more unnecessary litigation.

Rather than go without advice altogether, some patentees will attempt to commit nothing to writing, or adopt aggressive document destruction policies. However, keeping everything unwritten over the whole 20-year lifetime of a patent is not really possible in an organisation where personnel change regularly, especially in the email age, and is in any event no answer since in the absence of privilege courts can also force the disclosure of oral communications.

Thus, there is no safe middle path between frank advice and no advice. In the common law countries which use the discovery system, a lawyer's frank advice is (almost) always protected by privilege, but many issues of patent law need technical input that lawyers cannot provide, and the position on privilege in the advice of a non-lawyer patent agent varies from one country to another.

In my experience, it is all too easy to find communications between client and patent agent which should be protected from discovery. For example;

1. The inventor offers legal opinions on his invention. Unfortunately, the best scientists are often least able to grasp legal thinking.
 - a. In his opinion, he tells the patent agent, his invention is "obvious". However, the better the inventor, the less he resembles the "average" skilled person who is the legal test of inventiveness – and the more he therefore downplays his own invention.
 - b. He thinks his invention is "obvious", but is comparing it with internal, secret work conducted within the company – "false prior art"- not what is known to the rest of the world at large.
2. The patent agent gives opinions on too few technical facts. He never knows as much as the inventor, and sometimes has to advise before he is able to consult.
 - a. He doesn't understand the prejudice in the art which the inventor has overcome, and therefore thinks the invention obvious.
 - b. He sees the Examiner's point, but both have missed something about the way the prior art operates.

The problem arises just as acutely for a competitor. When attempting to compete with a patented product, it is common to consult a patent agent. Technical staff will often tell the patent agent that they “infringe” because:

3. They see that their competing product uses the same principle as the patent. They have not understood that the patentee voluntarily limited his claims to one particular way of using that principle.
4. They know that they took their original inspiration from the patented product. They do not realise that they have made so many changes along the way that they have evolved a non-competing alternative.

Equally, a patent agent may advise a client that a product would infringe,

5. Out of an excess of caution, or
6. Before being able to assess the picture fully.

Statements made by inventors, patent agents and technical experts in these circumstances are often asserted in court to be “smoking guns”, but in fact there is no reason why they should be relevant at all, when the issues have to be objectively determined by the court. Nonetheless they are often admitted. As those statements arise in giving advice during the grant process and alter on, and are between client and trusted advisors, privilege should protect them, but oftentimes privilege breaks down. Here are some of the commoner scenarios where this may occur:

1. Litigation in a court which recognises no patent agent privilege at all⁵.

You are a Singaporean forced to sue in Canada, or the infringer challenges your patent there. You used a non-lawyer Singaporean local patent agent, to file a PCT application, and in the national phase you obtained your European patent through a European Patent Attorney, your Australian patent through an Australian patent attorney and your Japanese patent through a Japanese Benrishi. In Canada and the US you used a Canadian patent agent who is also a lawyer.

The result? Your communications with your Canadian and US lawyer are privileged and are not discoverable in Canada. However, although each of Singapore, Europe, and Japan provides privilege for their respective patent agents, the Canadian courts do not recognise it. You have to produce to the other side and the court all your communications and internal draft documents:

1. Between you and your local patent agent in Singapore;
2. Between your local patent agent in Singapore and your foreign agents in Europe, and Japan;
3. Between you and your foreign agents in Europe, and Japan.

⁵ Based on *Lilly Icos LLC v. Pfizer Ireland Pharmaceuticals* 2006 FC 1465 (CanLII)

Even the communications to and from your Singaporean patent agent and your Canadian and US lawyers are not entirely protected: attorney-client privilege operates only between attorney and client, and so if the role of the Singaporean patent agent extends beyond merely acting as a conduit for communications, as it often does if they add value and advice themselves, privilege may not exist.

Canada is far from unique in offering no patent agent privilege to either domestic or foreign patent agents, whatever their own laws provide.

2. Litigation in a court which does not offer privilege for foreign agents⁶.

Same scenario, but this time the venue is Australia. The Australian statute provides privilege for Australian patent agents, so those communications relating to the Australian national phase are privileged. Again, your direct communications with your Canadian and US lawyers are privileged (though not all of those routed through your local patent agent).

However, everything communicated in the PCT international phase, and in Europe and Japan, lacks privilege and must be produced to the other side and the court.

3. Local patent agent lacks privilege⁷

You are headquartered in Switzerland, rather than Singapore, and your local patent agent is Swiss. Switzerland does not provide privilege for patent agents. In the absence of such domestic privilege, the US court does not recognise privilege for the Swiss patent agent. The privilege statutes in each other country only recognise their own domestic practitioners. Thus, all the correspondence between the company, the inventor and the Swiss patent agent, up to and including the PCT International phase, and all his working drafts, lack privilege. Both the inventor and the Swiss draftsman may be called for deposition and/or cross-examination on the detail of how they drafted the patent and what they thought at the time.

By choosing to use the local advisor, who will best be able to communicate with the inventor and his company for reasons of language and geography, you have lost a privilege you might have had by going abroad.

As to the national phase correspondence, the result varies depending on where you litigate. However, if the Swiss agent does more than simply act as a channel for communications between client and lawyer, he may deprive those communications of privilege even where they are with a lawyer (as in Canada and the US).

4. Local patent agent outsources to another who lacks privilege⁸

Your Singaporean local patent agent (who himself benefits from a domestic privilege statute) outsourced the drafting to an Indian patent agent. During the

⁶ Based on *Eli Lilly v. Pfizer* (No 2) [2004] FCA 850

⁷ Based on *In re Rivastigmine*, No. 05-MD-1661-HB, (S.D.N.Y, 8 August 2006)

⁸ See MERKIN, J., 2006. Litigating Outsourced Patents: how Offshoring affects the Attorney-Client Privilege. <http://www.jltp.uiuc.edu/works/Merkin.htm>

prosecution, he also referred some questions to the draftsman who advised on how to answer the International Preliminary Examination Report, and the prospects of success.

India does not provide privilege for patent agents. The Indian agent is in the role of a contractor rather than an employee or assistant. In the absence of such domestic privilege, the US court does not recognise privilege for the Indian patent agent. By subcontracting, even though it was perhaps to someone better qualified or cheaper, and therefore in the client's best interests, the local patent agent has effectively lost the privilege he would otherwise have had.

5. The privilege provided differs between states⁹

You are a UK company with a potential foreign licensee, under a patent and confidential technical information licence. Your local UK patent agent is familiar with the technology, and under your local statute his advice on both patents and use of technical information is privileged. He recommends a foreign patent agent, in the licensee's territory, whose advice on patent matters is privileged. You and he assume that the privilege will be equivalent to that in the UK. However, the foreign statute does not extend privilege to his advice on confidential information. You sue the licensee, but must disclose the foreign patent agent's advice.

Patent agents came into being to provide advice in technical areas which a generalist (non-technical) lawyer would find difficult. In many countries, officially recognised non-lawyer patent agents are accorded privilege similar to that of generalist lawyers. However, for the reasons given above, client privileges intended by one country to apply can break down when communications occur with trusted advisors in another country. It is essential for clients to be able to obtain and compare advice from several countries, without losing the privilege against non-disclosure of that advice. The international nature of patents requires a solution at an international level which, of course, would flow through to changes at national level where necessary.

⁹ This might have occurred between for example a UK local patent agent and a New Zealand patent agent prior to the latest New Zealand statute.