

Legal Advice Privilege

Michael Edenborough QC

AIPPI seminar

29 April 2015

serle court

The Case

R. (on the application of Prudential plc) v Special Commissioner of Income Tax

[2013] UKSC 1; [2013] 2 A.C. 185; [2013] 2 W.L.R. 325; [2013] 2 All E.R. 247; [2013] S.T.C. 376; [2013] 2 Costs L.R. 275; [2013] 1 F.C.R. 545; 82 T.C. 64; [2013] B.T.C. 45; [2013] C.I.L.L. 3309; [2013] S.T.I. 264; [2013] 5 E.G. 96 (C.S.); (2013) 163 N.L.J. 109; Times, February 5, 2013

setting the scene

- disclosure matter
- withholding documents on the grounds that legal advice on a tax matter given by specialist tax accountants was covered by legal advice privilege
- note: not concerned with litigation privilege
- judicial review of the Special Commissioner of Income Tax's decision on the point
- first instance and CA relied on IP cases

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before the Supreme Court

- **5 interveners in Supreme Court**
 - **The Institute of Chartered Accountants (E&W)**
 - **The Law Society**
 - **The General Council of the Bar Council of E&W**
 - **The Legal Services Board**
 - **AIPPI UK Group**
- **over 120 cases cited, about 4,500 pages of authorities**

the central issue

- whether advice on tax law given by specialist tax accountants was protected from disclosure on the basis that it was privileged as would be exactly the same advice if it had been given by a lawyer
- tension between the purpose of privilege to receive proper advice on the entirety of the facts and disclosure of a tax avoidance scheme

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legal advice privilege

- legal professional privilege: advice (LAP) and litigation
- LAP applies to all communications passing between a client and its lawyers, acting in their professional capacity, in connection with the provision of legal advice, *i.e.* advice which “*relates to the rights, liabilities, obligations or remedies of the client either under private law or under public law*”

Rational for LAP

- full and frank communication between attorneys and their clients that promotes the broader public interests in the observance of law and administration of justice: founded upon the rule of law
- LAP exists solely for the benefit of the client
- LAP is a common law principle

IP professionals

- CDPA 1988 s 280
- TMA 1994 s 87
 - limited to registered attorneys
 - limited to IP advice

some issues

- necessary, but not sufficient, condition is confidentiality (doctors, priests)
- professional advice on legal issues
- independent of the status of the advisor
- statutory provisions for patent and trade mark attorneys, but common law can develop
- how to define any new group

various arguments

- special relationship between lawyers and the courts (but foreign lawyers)
- Legal Services Act 2007 – giving legal advice is not a reserved activity
- understood by judges and Parliament to relate only to the advice of lawyers
- only appropriate for Parliament to change

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result

■ 5:2 appeal dismissed

■ Lord Neuberger

- There is no doubt that the argument for allowing this appeal is a strong one, at least in terms of principle [39]
- The principled arguments for restricting LAP to communications with professional lawyers which have been put forward appear to me to be weak, but not wholly devoid of force [42]

■ Lords Sumption and Clarke dissenting

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- MA (Natural Sciences) (Cantab), DPhil (Biophysics) (Oxon)
- All areas of IP law and practice, in particular trade marks, patents, copyright and designs. Over a 100 cases reported in the law reports since 2000, of which two thirds were appeals or judicial reviews.
- Appeared often before the General Court and Court of Justice (Luxembourg) in appeals from OHIM and Article 267 references (over 40 cases in all), and in the European Patent Office (Legal and Technical BoA and Opposition Division). Appeared in over 275 matters before the Registry, and over 60 appeals before the Appointed Person.
- Acted for the Comptroller-General of Patents, the Registrar of Trade Marks, the UK government, ITMA, CIPA and AIPPI UK Group.

IP Juniors at Serle Court



Dan McCourt Fritz (2007)



Gareth Tilley (2007)



Thomas Elias (2008)



Sophie Holcombe (2009)



Adil Mohamedbhai (2010)



Adrian de Froment (2013)



Finnegan Europe LLP

Privilege and Work Product in the U.S.

**AIPPI Seminar
29 April 2015**

Anthony C. Tridico, Ph.D.

Attorney-Client Privilege

- A simpler statement of the elements:
 - **“To invoke the attorney-client privilege, a party must demonstrate that there was: (1) a communication between client and counsel, which (2) was intended to be and was in fact kept confidential, and (3) made for the purpose of obtaining or providing legal advice.”**
 - *United States v. Construction Products Research, Inc.*, 73 F.3d 464, 473 (2nd Cir. 1996) (citing *Fisher v. United States*, 425 U.S. 391, 403 (1976)).
- The privilege applies only if the person to whom the communication was made
 - (a) Is a member of the bar of a court, or their subordinate and
 - (b) In connection with this communication is acting as a **lawyer**;

U.S. Work Product Protection

- Work product (“in anticipation of litigation”)
 - (1) information prepared in anticipation of litigation
 - (2) that reflects the mental impressions, opinions, or legal theories of:
 - (a) a lawyer or
 - (b) another entity acting under the direction of a lawyer

Communication with Counsel?

- Communications within Company
 - Communications at the request of, or under direction of, attorney **are generally privileged**
 - Documents generated at request of attorney to help with preparation of patent application
 - *Eutectic Corp. v. Metco, Inc.*, 61 F.R.D. 35, 39 (E.D.N.Y. 1973)
 - Even if only the substance of the document, but not the document itself, is communicated to attorney
 - *Id.*

Communication with Counsel?

- Communications within Company
 - Communication on legal topics not at direction of attorney **may not be privileged**
 - Internal engineering analysis to determine if component infringes a competitor's patent, not requested by attorney
 - *Rice v. Honeywell Intern., Inc.*, 2007 WL 865687, *2–*3 (E.D. Tex. 2007)
 - Internal validity analysis of competitor's patent, not involving attorney
 - *Methode Elecs. v. Finisar Corp.*, 205 F.R.D. 552, 556 (N.D. Cal. 2001)
 - Communication between employees related to patent application currently being prepared by attorney, but attorney not involved in communication

Attorney-Client Communications

- Communications with Outside Attorneys
 - Which communications are protected?
 - Attorney notes and memoranda to file
 - Generally not protected by attorney-client privilege unless memorialize a protected communication or are themselves communicated to the client
 - » See, e.g., *Golden Trade, S.r.L. v. Lee Apparel Co.*, 1992 WL 367070, *7 (S.D. N.Y. 1992); *Conner Peripherals, Inc. v. Western Digital Corp.*, 31 U.S.P.Q.2d 1042, 1046 (N.D. Cal. 1993); *American Optical Corp. v. United States*, 180 U.S.P.Q. 143, 144 (Ct. Cl. 1973).
 - Attorney notes on an otherwise privileged document are considered separately from document and may be discoverable
 - » *In re Rivastigmine Patent Litig.*, 237 F.R.D. 69, 84-5 (S.D.N.Y. 2006)

Communications with Non-U.S. Counsel

- Are Communications with Non-U.S. Counsel Privileged?
 - Which law applies?
 - Applying the relevant law

What Law Applies?

Two-step analysis:

- (1) The threshold question involves a determination of whether U.S. or foreign privilege law applies—**choice of law**
- (2) Whether the governing law recognizes privilege for the particular communications at issue and the scope of that privilege
- **Three approaches for choice of law question**
 - Touch base test
 - Look to foreign nation's law
 - Most direct and compelling interest test

Touch Base Test

- Communications that touch base with the U.S. are controlled by U.S. privilege law while communications related to matters solely involving a foreign country will be governed by the laws of the applicable foreign country
 - *Astra Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92 (S.D.N.Y. 2002)
- Where communications only have an incidental connection to the U.S., foreign law determines whether privilege exists
- Defer to law of the country with the predominant interest
 - Place where the allegedly privileged relationship was entered into;
 - Place in which that relationship was centered at the time the communication was sent

Look to Foreign Nation's Law

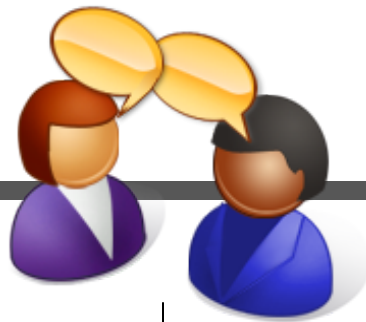
- Look to the foreign nation's law to determine the extent to which the privilege may attach

2M Asset Mgmt., LLC v. Netmass, Inc., 2007 WL 666987
(E.D. Tex. Feb. 28, 2007)

- Two part test
 - 1) Whether the foreign nation in question extends the privilege to this person (e.g., patent agent); and if so,
 - 2) Look at the specific capacity in which the person was functioning with respect to a given communication
 - Example: If the patent agent was functioning as an attorney, then the communication should be privileged

Most Direct and Compelling Interest Test

- Balancing test to determine which country has “the most direct and compelling interest in whether the communications are to be publicly disclosed.”
- Factors include:
 - 1) The subject matter at issue (e.g., whether there is a U.S. legal issue or whether the patent at issue is foreign);
 - 2) Where the relationship commenced and its center at the time the communication took place; and
 - 3) Whether application of foreign privilege law would be inconsistent with important policies in U.S. law
 - *VLT Corp. v. Unitrode Corp.*, 194 F.R.D. 8, 15-16 (D. Mass. 2000) (citing *Golden Trade*, 143 F.R.D. at 520-21)



Communications that **touch base** with the **United States** are controlled by **U.S. privilege law**

Astra Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92 (S.D.N.Y. 2002)

Related to matters **solely** involving a **foreign country** will be governed by the applicable **foreign** statute

Question: Does the foreign jurisdiction provide a type of privilege that is comparable to the U.S. attorney client privilege?

Question: Did it involve an U.S. attorney?

If the foreign law allows an foreign attorney or patent agent to refuse to disclose communication in a court proceeding, then under principles of comity, a U.S. court will treat communication as privileged.

Application of Touch Base Test

- Who? **External**
 - What? **U.S. Pros./Lit.**
 - Communications between company employees, including in-house counsel, and **company's outside American counsel** relating to the prosecution of patent applications or conduct of litigation in the U.S.
- Who? **Internal**
 - What? **U.S. Pros./Lit.**
 - Communications between a non-U.S. **company's in-house counsel** and **other company employees** relating to the prosecution of U.S. patent applications or conduct of litigation in the U.S.

Astra Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92 (S.D.N.Y. 2002)

Application of Touch Base Test

- What? **U.S. Prosecution**
- Communications between a non-U.S. company and non-U.S. patent agents relating to **prosecution of U.S. patent application**
- What? **Foreign Prosecution**
- Communications between a non-U.S. company and non-U.S. patent agents relating to assistance in **prosecuting patent application in their own foreign country**

Astra Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92 (S.D.N.Y. 2002)

When Non-U.S. Law Applies

When the choice of law question requires that the laws of a foreign country apply, what happens to communications with non-U.S. IP professionals working under the direction of a U.S. attorney?

- Several U.S. courts have held that a company's communications with foreign patent attorneys working **under the direction** of a U.S. attorney are protected by U.S. attorney-client privilege

When Non-U.S. Law Applies

What happens when these communications are **not** under the control of a U.S. attorney?

- The law of the foreign country applies
 - **Germany:** U.S. courts have found that German privilege law protects communications with German patent attorneys but Germany does not extend privilege to in-house counsel
 - **Great Britain:** U.S. courts have held that British privilege law protects communications with external British patent attorneys as well as in-house counsel
 - **France:** U.S. courts have found no privilege for communications with French in-house patent attorneys. Change in French law so privilege extends to external counsel
 - **Japan:** U.S. courts have recognized a privilege for communications with *benrishi* and *bengoshi* (extended to *benrishi*—patent agent—in 1998 based on change to Japan law)

Waiver of Privilege

- Risk of waiving attorney-client privilege or work product protection when information is disclosed
 - Example: opinions of counsel, patent attorney files, invention disclosure forms
- Waiver concerns in M&A and monetization deals
 - Waiver could impact either party depending on whether monetization deal goes through
 - Example: The disclosure of an opinion of counsel during due diligence might lead to a privilege waiver on that opinion
- Due diligence considerations:
 - Is there a common legal interest shared by the parties?
 - Would a common interest agreement be appropriate?

U.S. Common-Interest Agreements

- What is a common legal interest?
 - If parties to a transaction share identical legal interests with respect to a subject matter (e.g., enforceability of Target company's patents), communications between the parties regarding *that subject matter* should be privileged
- Exception to general rule that privilege is waived upon disclosure to a third party
- Key consideration: “The nature of the interest must be *identical*, not similar, and must be *legal*, not solely commercial”
 - Whether there is a common interest between parties to a transaction could be questioned later, with a Judge ultimately deciding the issue

Mr. Bond's new flying car



- Mr Bond invented and filed a patent application on a flying car
- Spectre Inc. was an interested investor and Mr. Bond provided a patentability opinion drafted by Chartered Patent Attorney Mary Goodnight as part of the due diligence process,

Was Goodnight's Opinion Privileged?

- Ms. Goodnight's patentability opinion considered patentability in both the U.S. and EP.
- Later in litigation, when Spectre asserted the U.S. Patent against Spy Tech, Spy Tech moved to compel production of the opinion and all communication between Mr. Bond and Ms. Goodnight relating to positions taken.

Was Goodnight's Opinion Privileged?

- Ms. Goodnight is Chartered British Patent Attorney (EPQ)
- Opinion regarding patentability at the EPO?
- Opinion regarding patentability at the USPTO?



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- Managing Partner of the firm's European office in London
- Experience in all aspects of U.S. and European patent law including prosecution, post-grant proceedings, and litigation
- Practice focuses on client counseling, IP portfolio management and patent office procedures (appeals, post-grant proceedings) in the chemical (organic, polymer), pharmaceutical, and biotechnological arts
- Frequent lecturer on various aspects of on patent law issues affecting the chemical, pharmaceutical, and biotech industries

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