

**Submission to the Australian Law Reform Commission in
response to its Discussion Paper**

**Client Legal Privilege and Federal Investigatory
Bodies**

**Intellectual Property Research Institute of Australia
(IPRIA)**

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1. Preface

The Intellectual Property Research Institute of Australia (IPRIA) is a national centre for multi-disciplinary research on the law, economics and management of intellectual property. It is based at the University of Melbourne, and is a joint venture of the Faculty of Law, the Faculty of Economics and Commerce, and the Melbourne Business School.

IPRIA was established in 2002 as part of the Federal Government's Innovation Statement, *Backing Australia's Ability*. IPRIA's research focuses on ways to improve the protection, management and exploitation of intellectual property by business, research institutions and other users of the IP system, and on supporting high quality policy development by government in areas relating to intellectual property. It seeks to use the outcomes of its research to create and contribute to public debate on key issues relating to intellectual property. Part of IPRIA's missions is to provide objective contributions to law reform efforts.

This submission was prepared by **Chris Dent**, Senior Research Fellow, IPRIA with comments from Professor Andrew Christie, Director of IPRIA. The research that forms the basis of this submission was carried out by Elizabeth Hall.

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2. Introduction

The Australian Law Reform Commission (ALRC) has sought submissions regarding the application of legal professional privilege to the coercive information gathering powers of Commonwealth bodies. The Commission's inquiry reflects the challenge to the doctrine of legal professional privilege (or client legal privilege) presented by coercive powers, such as compulsion to present documents or to answer questions, possessed by a growing number of federal bodies. One of the issues raised by the ALRC's work is the extension of the privilege to non-lawyer professions. This extension is the focus of this submission.

IPRIA's submission takes the form of a summary of the (as yet unpublished) research that the Institute is conducting in relation to the "patent attorney privilege" – work that is ongoing and being carried out by Elizabeth Hall, Chris Dent and Andrew Christie. Our research relates to some of the practical differences between patent attorney privilege and client legal privilege; with a particular focus on the impact of international client relationships and litigation. It is hoped that this will provide useful information for the Commission's Report on any extension of client legal privilege.

The structure of the submission is as follows: first, there will be a summary of the patent attorney privilege; second, there will be a discussion of some of the concerns held by the patent attorney profession relating to that privilege; and third, the submission highlights the manner in which these concerns are relevant to the ALRC's inquiry. Our conclusion is that, with respect to the Commission's proposal relating to the extension of client legal privilege to "tax agents" (Proposal 6-3), the ALRC should consider modifying the proposal to (a) explicitly include patent attorneys and (b) incorporate reference to the impact of potential transnational client-adviser relationships.

3. Patent Attorney Privilege

As noted in the ALRC's Discussion Paper,¹ s. 200(2) of the *Patents Act 1990* (Cth) (Patents Act) provides for a patent attorney privilege for communications, in intellectual property matters, between a registered patent attorney and her or his client. In order to become a registered patent attorney, a person has to comply with the

¹ ALRC, 'Client Legal Privilege and Federal Investigatory Bodies' Discussion Paper 73, 2007, para 6.215.

educational requirements set out in the *Patents Regulations 1991* (Cth).² The Patents Act provision explicitly links the reach of the patent attorney privilege to the privilege that attaches to communications between a client and her or his solicitor.

There is little academic analysis of the patent attorney privilege;³ to explore its history and justification, therefore, recourse has to be made to client legal privilege and the other privileges recognised in law (such as the medical, marital and cleric-communicant privileges). IPRIA's analysis of the public interests that support these privileges is different to that of the ALRC,⁴ however, the results are the same. We consider the interests to fall into two categories: those that are for the good of society and those that are for the good of the individual. The former category covers principles such as the proper administration of justice and support for fundamental social institutions (such as the family). The second category, the good of the individual, includes principles relating to effective and appropriate advice (for the legal or medical health of the receiver of advice); the protection of privacy; and the upholding of personal or professional honour.⁵ IPRIA considers that the patent attorney privilege is justified on the basis that it promotes the proper administration of justice through the provision of appropriate advice to patentees and prospective patentees (in a sense, promoting the "economic health" of the individual and contributing to the social institution that is the economy⁶) and supporting the professional honour of the attorneys themselves.⁷

² These requirements include an academic qualification (usually a science or engineering degree), the successful completion of courses in law (though a legal qualification is not required) and particular work experience: *Patents Regulations 1991* reg. 20.3.

³ There is also little judicial consideration of the privilege. The few cases on the subject include *Eli Lilly v Pfizer Ireland* (2004) 137 FCR 573 and *Wundowie Foundry v Milson Foundry* (1993) 44 FCR 474.

⁴ ALRC, DP 73, Ch. 2.

⁵ In the marital context privilege removes the moral conflict that may arise where a spouse is under a legal compulsion to give evidence against her or his spouse and under a moral compulsion to not betray a spousal confidence. In less personal contexts, the medical and client legal privileges removes the conflict between the compulsion to give evidence and the professional ethics of the doctor or lawyer.

⁶ One of the key justifications for the existence of patent grants is that they offer an incentive for firms to invest in research and development (see, for example, Scherer & Ross, *Industrial Market Structure and Economic Performance*, 3rd ed, Houghton Mifflin, 1990). According to Stiroh, 'economic theory tells us that more investment in R&D should lead to more innovation and more innovation should fuel GDP growth' ('Uncertainty in the Economics of Knowledge and Information' in Leonard & Stiroh (eds), *Economic Approaches to Intellectual Property: Policy, Litigation and Management*, National Economic Research Associates, New York, 2005, 6) – and it is patents that are an incentive, but not the only incentive, for R&D. The argument is that, if inventors and firms that employ them (whether they be small "backyard" operators or multi-national corporations) have an incentive to develop new products, then more innovation will occur and the economy, and society, will be better off.

⁷ This analysis may apply equally to a privilege that attaches to advice provided by a tax professional.

4. Current Concerns Regarding Patent Attorney Privilege

Current concerns over the extent of patent attorney privilege focus on the differences between this privilege and client legal privilege. These concerns relate to the potential for the patent attorney privilege to not be co-extensive with client legal privilege:⁸ for example, is patent attorney privilege an advice privilege or a litigation privilege;⁹ to what extent does the privilege apply to communications with third parties; and does the privilege only cover legal matters or does it include technical matters?¹⁰ More importantly for this submission, the concerns relate to differences in protection offered to patent attorney communications in foreign jurisdictions.

The international aspect of the privilege is important because a significant proportion of patent disputes in Australia involve patents that have their country of origin outside Australia.¹¹ That such a large proportion of patent litigation is, potentially, the result of decisions made overseas could mean (a) that advice given by a patent attorney here may be used by a client in another country (where that advice relates to Australian litigation); and (b) that advice relevant to litigation here may have been provided to the overseas client by a foreign patent attorney. It is the second option that is of most relevance here.

A recent decision has found that Australian patent attorney privilege only attaches to communication between a client and a patent attorney registered in Australia and not, therefore, to an attorney registered overseas.¹² This interpretation arises from the language of the Patents Act provision but does not acknowledge the nature of patent litigation; and may not be in keeping with the principles that underlie the patent attorney privilege. Further, it indicates that patent attorney privilege is not co-existent

⁸ The meaning of the s. 200(2) – ‘communications between patent attorneys and their clients shall be privileged to the same extent as communications between solicitor and client’ – has not been judicially explained; and, while it is clear enough to provide protection in many situations, it is not specific enough to satisfy concerns around its scope.

⁹ The ALRC’s Discussion Paper notes that recent case law has ‘blurred’ the distinction between the two limbs of the client legal privilege (at paras 3.28-3.37).

¹⁰ Our research has not concluded on these matters.

¹¹ K. Weatherall and P. Jensen, ‘An Empirical Investigation into Patent Enforcement in Australian Courts’ (2005) 33 *Federal Law Review* 239. This IPRIA research found that 36% of patents litigated in this country had another country as country of origin (at p. 271). The authors considered that the country of origin may be seen as a ‘proxy for the country of origin of the technology to which the patent relates’ (at p. 270); and, therefore, may be the country where decisions about litigation globally are made.

¹² *Eli Lilly v Pfizer Ireland* (2004) 137 FCR 573.

with client legal privilege – given the presumption that Australian client legal privilege covers communications with foreign lawyers.¹³

The decision does, however, avoid the difficulties of extending the privilege to overseas patent attorneys. Research shows that not all jurisdictions recognise (a) a patent attorney profession; or (b) a patent attorney privilege. The United Kingdom has a patent agent privilege;¹⁴ there is no such privilege in Switzerland as there is no patent attorney profession there; and, in the US, the privilege that attaches to patent agent communications varies between the Federal Circuits.¹⁵ To amend s. 200(2) of the Patents Act to provide for reciprocity of recognition of patent attorney privilege is problematic where other jurisdictions do not recognise the privilege. However, failing to incorporate the transnational aspect of patent litigation in privilege provisions, potentially, increases both the costs of litigation¹⁶ and the risk that sensitive communications lose confidentiality. These would, in turn, adversely impact on a party's 'right of access to a fair hearing'.¹⁷ IPRIA is not at the stage of proposing a solution to this problem.¹⁸

5. Relevance of Patent Attorney Privilege Concerns For ALRC Inquiry

There are two ways in which our research may contribute to the ALRC Inquiry. First, there is the potential for any recommendation covering privileged communications with non-lawyers to explicitly refer to patent attorneys. Second, there is the potential for any such recommendation to incorporate an acknowledgement of issues that arise from advice given across national borders.

¹³ See *Kennedy v Wallace* [2004] FCAFC 337.

¹⁴ *Copyright, Designs and Patents Act 1988* s. 280. The terms patent agent and patent attorney are, to a significant extent, interchangeable in the UK.

¹⁵ Some Circuits recognise patent agent privilege, others do so only if the agent is acting under the supervision of a lawyer and others recognise no patent agent privilege. For a discussion of this, see J. Willi, 'Proposal for a Uniform Federal Common Law of Attorney-Client Privilege of Communications with US and Foreign Patent Practitioners' (2005) 13 *Texas Intellectual Property Law Journal* 279. It may be noted, however, a greater proportion of US patent work is carried out by legally qualified patent attorneys (as opposed to non-legally qualified patent agents) than in Australia.

¹⁶ A party may, to ensure all documents are privileged, include a patent lawyer in all paths of communication; alternatively, a party may choose to use patent lawyers, instead of patent attorneys, an option that limits access to the specialised knowledge of the patent attorney profession.

¹⁷ ALRC, DP 73, para 2.100.

¹⁸ For a fuller discussion of concerns around inconsistencies in the recognition of patent attorney privilege, see AIPPI, 'Report Q163: Attorney-Client Privilege and the Patent and/or Trademark Profession' (2002). Available from www.aippi.org. AIPPI is the International Association for the Protection of Intellectual Property.

The ALRC's Proposal 6-3 covers the extension of privilege to any communication that is a 'tax advice document prepared for that person'. This Proposal comes after a discussion that includes multiple references to the patent attorney privilege.¹⁹ The exclusion, from the Proposal, of a reference to patent advice, then, suggests that either patent attorney privilege is not proposed to cover communications sought by federal investigatory bodies or it is assumed that patent attorney privilege already covers these communications. The text of the Discussion Paper is not clear on this point. IPRIA considers that, given the above uncertainty about the degree to which patent attorney privilege does map onto client legal privilege,²⁰ the final Recommendation should, for clarity, include reference to communications between a patent attorney and her or his client.

This clarification could either allow or deny patent attorney communications for the purposes of the disclosure of information under coercive investigatory powers of federal bodies. IPRIA considers that the denial of privilege for such communications to be inconsistent with the nature of the patent attorney privilege. With respect to the Commission's own reasoning for the extension of privilege to tax agents,²¹ in particular with respect to the promotion of compliance with the law,²² patent attorneys do provide compliance advice. This advice may, for example, relate to the patent rights of the firm requesting the advice and to the patent rights of that firm's competitors. In particular, such advice may be sought prior to a firm starting production of a product that is similar, but not identical, to a product protected by a patent – so-called "freedom to operate" advice.²³ These communications directly contribute to a firm's compliance with the Patent Act's provisions with respect to the infringement of granted patents. It would, therefore, be counter to the principles supporting legal privileges, as stated by the ALRC, to compel the disclosure of patent attorney advice to federal investigatory bodies.

Regardless of the inclusion of patent attorney privilege in future recommendations, it is important that the Commission turns its mind to the potential for transnational tax

¹⁹ ALRC, DP 73, paras 6.189, 6.194, 6.206 and 6.215.

²⁰ The ALRC itself acknowledges that the scope of patent attorney privilege is 'far more restricted' than client legal privilege: DP, para 6.216.

²¹ ALRC, DP 73, paras 6.228ff.

²² ALRC, DP 73, para 6.230.

²³ Such advice may be lucrative to a firm wishing to skate close to the edges of a granted patent. Patents in the pharmaceutical industry, for example, can be worth millions of dollars.

advice. While it is unclear to IPRIA as to the extent that tax advice may be communicated across borders, we consider that it is, at least, possible. Where such advice is sought, the same issues that have arisen with respect to transnational patent attorney advice may arise in the tax context. That is, privilege may not be extended to agents registered in another country (depending on the language of the final provision), possibly to the detriment of the person who sought the advice. These concerns could be reduced if explicit reference was made to foreign tax agents in the ALRC's final recommendation – either to include or exclude them from coverage of the privilege. If the Commission does consider it appropriate that communications with foreign tax agents be privileged, then, in line with our arguments above, IPRIA would argue that the resulting Recommendation should include a similar extension to patent attorney privilege. There may be sound policy reasons to exclude foreign tax agents (though such arguments are outside our expertise) alongside the principles that may support their inclusion; IPRIA only raises the issue as a result of our research into the patent attorney privilege.