crowell moring

CLIENT ALERT

Unified Patent Court: Confidentiality and Legal Privilege

Feb.16.2016

Crowell & Moring's series of alerts provides practical information and professional comment on all the ramifications regarding the introduction of the Unified Patent Court (UPC). For further information, please see our UPC leaflet PDF or contact the lawyers listed near the bottom of each alert. To view other alerts in this series, please click here.

As the launch of the Unified Patent Court (UPC) comes nearer, many UPC stakeholders have or should be conducting UPC audits to help them shape their offensive and defensive UPC strategies. Needless to say, the audit teams, which are often multidisciplinary, will be discussing highly sensitive information such as what are weak patents that should be opted out of the exclusive jurisdiction of the UPC. Many of these discussions will occur without involving external or internal legal counsel. On the other hand several new and/or improved ways of obtaining evidence will be offered before the UPC: hearing of the parties, requests for information, production of documents, questioning of witnesses, measures to preserve evidence, etc. The question then arises: how can one avoid, or at least limit, the risk that such confidential information falls into a competitor's hands? The UPC Agreement and the Rules of Procedure have tried to create a uniform legal framework in this respect. However, bizarrely enough, depending on how the UPC will finally define a "lawyer", not all information shared by or with an in-house counsel will be legally privileged. In this 7th issue of the UPC Q&A-series we take a closer look at this issue.

1. Confidential vs. legally privileged

Although the UPC Agreement and the Rules of Procedure do not define what amounts to confidential or privileged information, it is clear that a distinction should be made between the two terms. In our view, confidential information should be understood as information that is not generally known or readily accessible by the public and of which the owners want to prevent or at least restrict the dissemination. It is the intention of the owners that is decisive here. Privileged information on the other hand is information that, in the course of legal proceedings, is typically exempt from production to an opponent or even the court because it is covered by a legal provision that prevents the information from being disclosed against the will of the party enjoying the privilege. It is therefore the law, and not the will of the owner, that is decisive.

2. **How is confidential information protected during UPC proceedings?**

As for many aspects of UPC proceedings, the protection of confidential information is largely left to the discretion of the Court. Indeed, Article 58 of the UPC Agreement states that the UPC "*may*" order that the collection and use of evidence in proceedings before it be restricted or prohibited or that access to such evidence be restricted to specific persons. Such restrictions "*may*" be imposed to protect the trade secrets, personal data or other confidential information of a party to the proceedings or of a third party, or to prevent an abuse of evidence in general.

Examples of such 'confidentiality restrictions' can be found in Article 59 of the UPC Agreement, which relates to the order to produce evidence: the court may order such production "*subject to the protection of confidential information*" (*see also* Rule 190.1 (disclosure of the obtained information only to certain named persons and subject to terms of non-disclosure)). A similar solution is provided by Rule 196.1, ult. in relation to an order to preserve evidence, by Rule 199.1 in relation to an order for inspection, and by Rule 315 in relation to a statement in intervention. Rule 197.4 moreover obliges the Court to issue a confidentiality order when an *ex parte* order to preserve evidence is modified or revoked.

In Article 23 of the UPC Agreement the protection of confidential information is mentioned as a reason to restrict the publication of the decisions of the UPC. This rule is repeated in more detail in Rule 262 that restricts access to the court file upon the reasoned request by a party to the litigation (these reasons can be contested by any member of the public wishing to obtain access to that same information).

In Article 45 of the UPC Agreement confidentiality is one of the reasons given to restrict access to the proceedings, which are normally public (*see also* Rules 105.2, 115).

3. Does this principle of protection of confidential information imply that the Court or the other party will be unable to access this information?

As explained, by systematically using the word "*may*", the UPC Agreement and the Rules grant the Court a large margin of discretion when it comes to deciding if and under what conditions a party can obtain access to confidential information. This is logical. If the Court were to have to systematically respect the confidential character of certain information, than evidentiary measures such as a counterfeit search and seizure could very easily be rendered useless. The seized party would simply have to systematically declare that all the targeted information was confidential. If on the other hand the Court were systematically to waive the confidential character and allow unrestricted access to and use of confidential information, many of the evidentiary measures would be at risk of being used for 'fishing expeditions' rather than to prove an argument made or to be made in court.

How the different UPC divisions will strike this balance between confidentiality and access to information remains to be seen. In our opinion it cannot be excluded that many of the judges, in particular in local divisions, will be inspired by their national traditions when deciding if and to what extent they should take confidentiality objections of a party or a third party into account.

4. How is legal privilege organized in UPC proceedings?

Article 48(5) of the UPC Agreement lays down the rule that representatives of the parties to UPC proceedings, said differently lawyers or patent attorneys (see point 5 and 6), shall enjoy the rights and immunities necessary for the independent exercise of their duties. The Article explicitly refers to the privilege from disclosure in proceedings before the UPC in respect of communications between a representative and the party or any other person. Two limitations are mentioned: a party can always expressly waive this privilege and the Rules of Procedure can make the privilege conditional.

The Rules of Procedure make a distinction between privileged information in general (Rules 287 and 288) and privileges during court proceedings (Rule 289). Rule 287.1 establishes the principle that any confidential communication relating to the seeking or the provision of 'UPC-related' advice (whether written or oral) between a client and a lawyer or a patent attorney is privileged from disclosure before the UPC or the Patent Mediation and Arbitration Centre. Two conditions have to be met: the communication must remain confidential and the client must have instructed these advisors in a professional capacity (see point

7). This privilege prevents the lawyer or patent attorney and their client from being questioned or examined about the contents or nature of their communications. Rule 288 provides for similar privilege when a party (or their lawyer or patent attorney) communicates confidentially with a third party for the purposes of obtaining information or evidence of any nature for the purpose of or for use in any proceedings, including proceedings before the European Patent Office. During court proceedings, papers and documents as well as allegedly infringing products or devices relating to the proceedings in the possession of lawyers and patent attorneys cannot be searched or seized. In the event of a dispute, customs officials or police may seal these items and forward them immediately to the UPC where they will be inspected in the presence of the Registrar and of the representative in question (Rule 289.2).

5. Who are the "lawyers" enjoying legal privilege under Rules 287-289?

Although Rule 287.6(a) defines what is to be understood by "lawyer", this definition is not that clear in practice, in particular given that it is a double definition.

On the one hand, a "lawyer" means the person defined in Rule 286.1. This Rule defines a lawyer as "*a person who is authorized to pursue professional activities under a title referred to in Article 1 of Directive 98/5/EC and by way of exception a person with equivalent legal professional qualifications who, owing to national rules, is permitted to practice in patent infringement and invalidity litigation but not under such title.*" The "*equivalent legal professional qualifications*" refers to a specific type of Swedish and Finnish patent attorney who cannot use the title "lawyer" despite having a legal background. The lawyers mentioned in Article 1 of Directive 98/5/EC are nationals of an EU Member State, authorized to pursue their professional activities as solicitor, barrister, Rechtsanwalt, advocaat, avocat, advokat, avvocato, abogado, … With regard to the latter, the question then arises whether Article 1 of the Directive also covers in-house counsel. This question is answered in Article 8 of the Directive that states that a lawyer may practice as a salaried lawyer in the employ of another lawyer, an association or firm of lawyers, or even a public or private enterprise. In-house counsel therefore seem to enjoy legal privilege under the Rules. There is, however, an important caveat: Article 8 of the Directive only applies to the extent that the national rules of the EU Member State in which the in-house counsel works permit the latter to use the title mentioned in Article 1 of the Directive. In countries such as France, Luxembourg and Belgium, lawyers in the sense of Article 1 of the Directive are by law self-employed, whereas virtually all in-house counsel are salaried employees of the company they provide legal services to. In other words, the first part of Rule 287.6(a) does not seem to cover in-house counsel in EU Member States which reserve the title of "lawyer" for self-employed legal service providers.

On the other hand, Rule 287.6(a) also defines a "lawyer" as any other person who: 1.) is qualified to practice as a lawyer, 2.) is qualified to give legal advice under the law of the state where he practices and 3.) is professionally instructed to give such advice. Although one could argue that the requirement to be qualified to practice as a lawyer would again exclude salaried lawyers in some member states, this would make little sense. First, because this alternative definition would then cover exactly the same group as the definition referring to Rule 286.1; second, as such a strict definition would not be in line with the intention of the committee that drafted the Rules to have the widest possible range for legal privilege. It would also render the distinction between Rule 287.1 and Rule 287.2 obsolete. Indeed, the only difference between both rules is that the former relates to a lawyer "*instructed*" by a client and the latter to a lawyer "*employed*" by the client. In our view, to avoid Rule 287.2 being a mere repeat of Rule 287.1, the former must clearly cover in-house counsel.

The foregoing implies that advice from external and internal lawyers enjoys legal privilege before the UPC. However, in-house counsel working in EU Member States where the titles mentioned in Article 1 of the Directive are reserved for self-employed lawyers will not be able to represent their employer before the UPC.

6. Who are the "patent attorneys" enjoying legal privilege under Rules 287-289?

Rule 287.6.(b) defines a "patent attorney" as a person who is recognized as eligible to give advice under the law of the state where he practices in relation to the protection of any invention or to the prosecution or litigation of any patent or patent application. Rule 287.7 enlarges the scope of the "patent attorney" definition by adding that the definition also includes a professional representative before the European Patent Office pursuant to Article 134(1) of the European Patent Convention (basically anybody who has passed the European qualifying examination).

This definition is less strict than the one for "lawyer". In our opinion, to the extent that there are no national rules limiting who is entitled to give advice on patents and inventions, a patent attorney in the sense of Rule 287.6(b) is not required to have passed an examination for or be a member of any national or European patent bar. To avoid any misunderstanding, this broad definition does not apply to Rule 286.2, which regards the requirements for non-lawyers to represent a party before the UPC. In that scenario, the patent attorney will have to lodge at the Registry a European Patent Litigation Certificate or some other type of justification showing that he has appropriate qualifications to represent a party before the UPC.

7. Does simply including a lawyer / patent attorney in an exchange of 'UPC related' information make that information legally privileged?

In our opinion, simply copying a lawyer or a patent attorney on an exchange of information between non-lawyers or non-patent attorneys will not be sufficient to render the information in question privileged. Indeed, as already mentioned Rule 287 repeatedly states that the lawyer or the patent attorney must have been "*professionally instructed*" or "*professionally consulted*" to provide advice to the client. This seems to imply that the lawyer or patent attorney must play an active role in the creation or exchange of the confidential information that a party would like qualified as legally privileged. Therefore, the idea put forward by some stakeholders that their external or in-house legal advisors be systematically copied on UPC-related information exchanges, will not prevent that information from being disclosable in UPC proceedings. Indeed, the party seeking such disclosure could even argue that by acting in this way the owner of the information has abused the (allegedly) privileged status of the information and should therefore lose the benefit of privilege.

8. Are there other rules concerning confidentiality or privilege?

Rule 179.3 contains a specific provision regarding professional privilege or other duties of confidentiality in the context of the examination of witnesses: if a witness risks violating such a duty by answering questions, the witness may refuse to answer.

If parties to UPC proceedings conclude their action by way of settlement, then they are obliged to inform the judge-rapporteur thereof (Rule 365.1). If parties so request, the UPC shall confirm the settlement in a decision. Following on from this, Rule 365.2 states that the parties can then request the UPC to keep the details of the settlement confidential. In our opinion, this implies that the parties can suffice with simply informing the UPC that they have settled and cannot be forced to inform the UPC of the terms of the settlement.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Jan-Diederik Lindemans
Partner – Brussels
Phone: +32.2.282.1832
Email: jlindemans@crowell.com