

FICPI AUSTRALIA

Ethics Equity and Excellence 2010 Annual Conference

e-Walls and Information Screens – What are they and how do we put them into place?

This paper has been prepared by Monahan + Rowell Lawyers for delegates attending the FICPI Australia “*Ethics, Equity and Excellence*” 2010 Annual Conference at the Sebel in Cairns from 30 July – 3 August 2010. This paper is broad in its application and is not intended to address any particular set of factual circumstances which might present themselves for consideration. If you would like considered advice from Monahan + Rowell Lawyers on any particular scenario, please contact Patrick Monahan (Senior Partner) on 03 8624 2013 or pmonahan@mrlaw.com.au.

A. INTRODUCTION

1. It is of course not surprising that intellectual property law firms often hold a wealth of confidential information regarding their clients. Also, the nature of the work undertaken by intellectual property firms (and the relatively small number of larger firms) makes it inevitable that clients from similar fields will retain the same firm. Consequently, these firms are likely to experience regular conflicts of interest. In order to limit the risk of confidential information being passed from one patent or trade mark attorney to another, which may be used to the detriment of that client in a conflict scenario, Information Screens (formerly known as “*Chinese walls*”) are often employed.¹ The term “Information Screens” describe the existence of established arrangements within a firm to prevent information available within one part of the business (or from a patent and trade mark attorney team), becoming available to other employees within the firm.²
2. Although Information Screens have in the past been viewed by the courts with some scepticism, their use and effectiveness has become more common, and this is now clearly recognised in the case law as a valid mechanism. It is important to be aware, however, that an Information Screen is of itself, not a guaranteed solution to a situation where there is a conflict of interest between one client and another. “...*Good practice requires there to be established institutional arrangements designed to prevent the flow of information between*

¹ Rachael Mulheron, “*20 Bricks Towards a Chinese Wall*” (2001) 23 (1) LSB (SA) 33.

² *Prince Jefri Bolkiah v KPMG (a firm)* [1999] 2 AC 22.

separate departments”.³ An effective Information Screen must not only prevent deliberate disclosure of confidential information, but also accidental or inadvertent disclosure.⁴

B. THE NEED FOR AND USE OF AN INFORMATION SCREEN

3. The importance of an Information Screen becomes apparent when a conflict of interest having arises. It is well accepted that it is a breach of the fiduciary duty of loyalty for a firm to act against a current client or former client in the same or related matter⁵. More generally, though, acting against a client, whether current or former creates a risk of the misuse of confidential information, which must be carefully evaluated.
4. In some instances, the use of an Information Screen may allow the firm to continue acting for the “*new*” client, even where there is a conflict. The adoption of an Information Screen does not override the intellectual property law firm’s duties of loyalty and confidentiality to its clients. An Information Screen is simply a mechanism to manage the situation. The primary obligation upon the firm is to keep the first client’s information confidential, not merely to take all reasonable steps to do so.⁶ The duty is for the patent and trade mark attorney not to make any use of a client’s confidential information, or cause any use to be made of it by others - otherwise than for the client’s benefit.⁷
5. The pivotal underlying principle of an Information Screen is that, without its implementation, information and knowledge will move freely within a firm. In the case of *Prince Jefri Bolkiah v KPMG* [1999] WLR 215, it was noted that “*the starting point must be that, unless special measures are taken, information moves within a firm*”.⁸ The courts have long recognised the proposition that there is a sound and proper basis for restraining a solicitor from acting if there is a “*real risk*” of confidentiality being breached.⁹ Whilst the risk need not be substantial, it must be real and not merely fanciful or theoretical. Lord Millett noted in *Prince Jefri* that a Court should restrain a firm from acting, unless satisfied

³ *Prince Jefri Bolkiah v KPMG (a firm)* [1999] 2 AC 22 at 237-9 per Lord Millett, HL; *Mallesons Stephen Jaques v KPMG Peat Marwick* (1990) 4 WAR 357 at 371-2 per Ipp J; *World Medical Manufacturing Corporation v Phillips Ormonde & Fitzpatrick Lawyers (a firm)* [2000] VSC 196.

⁴ See *Bureau Interprofessional Des Vin De Bourgogne v Red Earth Nominees Pty Ltd* [2002] FCA 588 at 48.

⁵ *Spincode Pty Ltd v Look Software Pty Ltd* [2001] VSCA 248.

⁶ Charles Hollander QC and Simon Salzedo, *Conflicts of Interest*, 3rd Ed, 2008, 130.

⁷ Charles Hollander QC and Simon Salzedo, *Conflicts of Interest*, 3rd Ed, 2008, 130-131.

⁸ Lord Millett in *Prince Jefri Bolkiah v KPMG* [1999] WLR 215 at 235.

⁹ *Prince Jefri Bolkiah v KPMG* [1999] 2 WLR 215.

on the basis of clear and convincing evidence that effective measures have been taken to ensure no disclosure will occur.

6. In Australia, the case of *Newman v Phillips Fox* [1999] WASC 171 made the point that whether a particular individual is in possession of confidential information is a question of fact, with knowledge of one employee not necessarily being imputed to another employee at the firm.¹⁰ Given the current era of mega firms, and the limited number of large firms practising in intellectual property law, the presumed imputation of knowledge from one person to another within the firm is (we agree) not appropriate in the context of modern large firms. Accordingly, within Australia, it is now widely recognised that information can be quarantined in law firms.¹¹
7. Of course, the first question in all such cases is whether the possession of confidential information is proved, so as to require an Information Screen to be maintained. In the case of *World Medical Manufacturing Corporation v Phillips Ormonde & Fitzpatrick* [2000] VSC 196, the defendants (“POF”) were retained by the plaintiff, World Medical, to pursue an application for a patent. POF were then retained by another client, Cook Inc, to initiate Federal Court proceedings against World Medical. World Medical then sought to restrain POF from acting against the Plaintiff by alleging that POF were in a position of conflict having been provided confidential information by World Medical during the course of the patent application.
8. After a detailed analysis of the facts of the case, His Honour Justice Gillard was ultimately of the view that the information known to POF in relation to the World Medical application was of “*such little moment*” that there was no real risk of disclosure of any significant confidential information to the POF lawyers working on the Cook Inc Federal Court matter. Gillard J noted the current litigation was not related to the patent application in which confidential information was provided. Further, much of the information was also established to be within the public domain. Accordingly, the Court did not find any need for the establishment of an Information Screen in that particular case. The decision in this case emphasises that it is a question of fact in each matter in determining whether an

¹⁰ *Newman V Phillips Fox* [1999] WASC 171 at 316-7.

¹¹ *Australian Liquor Marketers Pty Ltd v Tasman Liquor Traders Pty Ltd* [2002] VSC 324.

Information Screen is required, depending upon the nature of the confidential information held by the patent and trade mark attorney.

C. DEVELOPMENT OF “e-WALLS”

9. Over the last 20 years, new technology has essentially changed the face of business, in allowing for modern communication techniques to be instantaneous and often widely shared. Whilst geographic separation between offices, clients and opposing parties may have previously provided practical “*Chinese Wall*” solutions, the advent of technology has made the management of this issue more problematic.
10. Although the use of e-mail, the internet and document sharing has undoubtedly streamlined the way in which businesses operate, it creates additional challenges in the establishment of effective and convincing Information Screens. It is now largely common practice to have “*centralised*” resources within a firm, including computers, network servers, photocopiers, printers and facsimile machines which are all within easy access of employees. Accordingly, with such technology being available to every employee, it is often difficult to create an effective “*e-Wall*”.
11. Whilst an e-Wall is a relatively novel concept, it rests upon the same principles as that of the old fashioned “*Chinese Wall*”. The application of an Information Screen has now been extended to encompass e-Walls.¹² E-Walls cannot simply be limited to computers, as an Information Screen must (for example) also be mindful of confidential information held or outputted by electronic devices, including unattended documents left at machines and unwanted copies that are intended for destruction by a shredder.
12. In order to implement effective e-Walls, firms need to recognise that, in today’s world, geographic separation is not adequate on its own in preventing information flow. Restricted access to computer files with passwords and varying access for different levels of personnel and departments are also now required. The simple example of timing locks on computers (for when a staff member is absent from their desk) cannot be overlooked in preventing unauthorised access to confidential information. By way of further example, consideration of separate servers, deletion of documents and blocking or restricted access to documents is also of importance.

¹² Charles Hollander QC and Simon Salzedo, *Conflicts of Interest*, 3rd Edition 2008 141.

D. INSTITUTE GUIDELINES ON INFORMATION SCREENS

13. The Institute of Patent and Trade Mark Attorneys of Australia has formulated a Code of Ethics and Guidelines which addresses the duty to maintain standards of professional and ethical conduct in promoting the interests of the client.¹³
14. One primary object of the Institute is “*to maintain a high standard of rectitude and professional conduct and knowledge*”.
15. There is no specific reference in these documents to Information Screens and e-Walls, but they are clearly consistent with the ethics and guidelines stipulated.
16. The Code of Ethics contains the following general stipulations:-
 - “3.04 *It is the duty of a member to maintain professional and ethical standards in the practice of the profession, to promote the interests of his or her clients and of the profession, and , in the practice of the profession, to render a service to the public.*
 - 3.09 *A member shall take all reasonable steps to avoid situations in which his or her duty to one client is in conflict with that to another client, and whenever any such conflict becomes apparent, the member shall take steps calculated to resolve it and to avoid prejudice to either client*”.
17. So that is your ethical starting point in dealing with questions of conflict.
18. Turning to the Guidelines, your attention is drawn to the following:-
 - Patent and trademark attorneys must apply the “*utmost skill and diligence*” in the handling of matters on behalf of their clients and shall, on becoming aware of any “*error, omission or defect in the handling of any matter*” take all reasonable steps to rectify the error and keep their clients informed.¹⁴

¹³ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipata.com.au>>> see for example Code 3.04.

¹⁴ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipata.com.au>>> see for example Guideline 2.

- A member shall not make improper use or disclosure of information derived from or obtained from any official on behalf of a client or prospective client or on his or her own behalf.¹⁵
- All patent and trade mark attorneys are required to take “*all reasonable steps*” to avoid situations in which the duty to one client conflicts with that of another, and to resolve any such conflict to avoid prejudice to either client.¹⁶
- A patent and trademark attorney shall not attempt to improperly obtain from another member information relating to a client of that member.¹⁷
- A member representing a party in any matter in regard to which another member has received instructions from another party shall not approach such other party knowing him to be a client of the other member except with the consent of such other member.¹⁸
- A patent and trademark attorney should never act for a person with a different or contrary interest to that of a client in a previous matter, or an adversary in the same matter, where the attorney’s knowledge of that client’s affairs could prejudice the client or provide an unfair advantage to another person or adversary, but where the attorney’s knowledge of that client’s affairs would not prejudice the client or provide an unfair advantage to another, the attorney may act for such person or adversary upon a specific release being given by the client.¹⁹

E. LAW INSTITUTE/LAW SOCIETY GUIDELINES

19. As the Courts have increasingly approved the use of appropriately constituted Information Screens, the need for a comprehensive and proscriptive set of guidelines became apparent. The Law Institute of Victoria has developed a set of “*Information Barrier Guidelines*”

¹⁵ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipta.com.au>>> see for example Guideline 9.

¹⁶ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipta.com.au>>> see for example Code Rule 3.09.

¹⁷ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipta.com.au>>> see for example Guideline 8.

¹⁸ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipta.com.au>>> see for example Guideline 11.

¹⁹ Guidelines of the Institute of Patent and Trade Mark Attorneys of Australia “Code of Ethics” << <http://www.ipta.com.au>>> see for example Guideline 19(a).

which have now also been implemented in New South Wales, Queensland and the Australian Capital Territory.²⁰

20. These Information Barrier Guidelines provide for ten comprehensive rules which address the effective implementation and management of Information Screens. The Guidelines are broad in their application, and should be adapted and considered in the context of intellectual property firms. It is also important to consider that the Guidelines not only relate to professionals, but also support staff. Information Screens need to be responsive to all personnel, as (as the cases show) each employee may be a potential source of any leaks – whether intentional or inadvertent.

Guideline 1 - Controlled Protocols

The intellectual property firm should have established documented protocols for setting up and maintaining Information Screens. Access to any client information by personnel should be carefully controlled by the firm.

21. Intellectual property firms need to turn their mind to the implementation of Information Screens being a part of ongoing risk management arrangements. Strict and carefully defined procedures need to be thought out and implemented in dealing with Information Screens. The documentation of all procedures, policies, risks and action plans is vital to any firm. Such procedures need to be reviewed and scrutinised regularly to ensure appropriate measures are being identified and adopted.
22. Information Screens operate most effectively when they are adopted by an entire firm. Therefore the organisational structure needs to incorporate the operation of such schemes into the daily practice of the firm. Information Screens need to be accepted and promoted by the whole firm with safeguards being implemented prior to any opportunity of information being circulated.
23. The limited implementation of *ad hoc* Information Screens, erected for the purpose of specific files, is unlikely to bring about the necessary changes to a firm's culture. The installation of an *ad hoc* screen was considered by Lord Millet in the Prince Jefri Case where his Honour distinguished a structural Information Screen, which is part of the established fabric of the firm, from an *ad hoc* Information Screen being established for a

²⁰ Council of the Law Institute of Victoria, "*Information Barrier Guidelines*", 20 April 2006.

particular case or to manage a particular conflict.²¹ Lord Millet rejected *ad hoc* Information Screens as never being able to adequately control the flow of information where people are accustomed to working together on different projects as part of the same team or department.

Guideline 2 – Compliance Officer

A Compliance Officer should be appointed to oversee the implementation and operation of the Information Screen within an intellectual property firm.

24. The appointment of a Compliance Officer allows for an experienced patent and trade mark attorney with appropriate knowledge of the rules relating to confidentiality, conflict of interest, Information Screens and e-Walls to oversee the implementation and maintenance of the Information Screens. The initial development of written procedures, through to monitoring compliance and managing breaches would all be within the realm of the Compliance Officer's role. In large intellectual property law firms, the appointment of more than one Compliance Officer may be required in order to adequately address the individual needs of the separate divisions of the business, perhaps between the trademark/patent attorney section and the legal practice arm.
25. Acting as an intermediary between personnel and management, a Compliance Officer is required to adequately supervise, implement and maintain the Information Screen, whilst being autonomous and highly discrete in their role to ensure they do not disclose any information in their possession that should not be divulged. As part of organisational structure, the Compliance Officer would be required to ensure the continuing education and training of all employees promotes the firm culture as one including a real familiarity with Information Screens.

Guideline 3 – Limiting Duty of Disclosure

The intellectual property firm should ensure that it obtains acknowledgment in writing from all current clients that the firm's duty of disclosure to that client does not extend to any confidential information which may be held by the firm as a result of earlier matters, and consents to the firm acting on that basis.

²¹ *Prince Jefri Bolkiah v KPMG* [1999] 2 WLR 215 at 238 – 239.

26. By obtaining acknowledgement from the client that the duty of disclosure is limited and does not extend to any confidential information obtained from other clients relating to earlier matters, Information Screens are able to operate independently and not be undermined by the absence of informed consent.
27. Consideration needs to be given to the dangers of breaching confidentiality inadvertently when explaining the purpose of consent to the current client. Particularly, the firm cannot provide detail about the nature of the confidential information withheld from the client as this would result in a breach.

Guideline 4 – Identification of Screened Persons

All “screened persons” should be clearly identified with records of all “screened persons” kept by the Compliance Officer

28. A “screened person” is someone who possesses confidential information from one retainer which is relevant to another retainer. Therefore, in order to ensure that an Information Screen is effective, a “no contact” rule must be implemented to ensure that all employees working on the current matter are aware of who is classified as a screened person and do not make any contact with those persons regarding the matter. The “no contact” rule also extends beyond the patent and trade mark attorneys working within the firm and may encompass, among others, partners, associates and support staff.
29. The firm should clearly identify and maintain separate records of all staff (the screened persons) that hold relevant confidential information that is the subject of a current matter. These records must be kept up to date by the Compliance Officer with all individuals being part of an ongoing education program that is specific to the matter at hand, in conjunction with the general training also received.

Guideline 5 – Undertakings of Screened Person / Legal Obligations

Each screened person should provide an undertaking to the firm (and likewise if necessary the firm should provide an undertaking to the court) confirming that the screened person:

- (i) will not have any involvement with the client or personnel involved with the current matter;***

(ii) has not disclosed and will not disclose any confidential information about the earlier matter to any person other than to a person in accordance with the instructions or consent of the client in the earlier matter, a fellow screened person or the Compliance Officer; and

(iii) will, immediately upon becoming aware of any breach, or possible breach of this undertaking, report it to the Compliance Officer who will take appropriate action.

Should the screened person be required to comply with an obligation at law to provide information or to answer a complaint or defend a claim against the firm, the screened person must not pass the files and/or information to anyone other than the Compliance Officer, who may pass them on to a responsible officer of the practice who is not involved in the current matter in order for the legal obligation to be honoured.

30. The implementation of undertakings as part of a formal Information Screen policy plays an important role in advancing the position of the firm by notifying and reminding the individuals that they have a duty to ensure that they abide by their undertaking. The screened person must appreciate that he or she has an additional sense of personal responsibility towards their client, the firm and their colleagues.
31. The idea of personal undertakings serves a two fold purpose – the first is an internal purpose, in that the screened person has been identified and has acknowledged they are in possession of confidential information that may be detrimental to their client, having agreed not to disclose the information; and second – should the court require any undertakings to be given, such documents detail proactive responsibility of the firm in promoting the use and effective strategies of Information Screens.

Guideline 6 – Undertakings of Personnel Involved in Current Matter

All personnel involved with the current matter should not discuss the earlier matter with, or seek any relevant confidential information about the earlier matter from, any screened person. Such personnel should provide undertakings confirming that:

(i) no confidential information about the earlier matter has been disclosed to them;

- (ii) they will not during the existence of the current matter have any involvement with a screened person for the purposes of the current matter;*
- (iii) they will not seek or receive any confidential information about the earlier matter from a screened person in any other way; and*
- (iv) they will, immediately upon becoming aware of any breach, or possible breach, of this undertaking, report it to the Compliance Officer who will take appropriate action.*

32. Similarly to screened persons, undertakings should also be obtained from those currently involved in the matter. It is important that such undertakings be obtained in a timely manner to ensure that the firm has turned its mind to a possible breach of confidentiality occurring right at the outset of the new matter. The earlier the undertakings are obtained, the better. The use of undertakings is obviously undermined if the information has already been disclosed to others within the firm.
33. In providing such undertakings, it is important for all personnel working on the current matter to realise that they may possess or come to possess confidential information which cannot be discussed with anyone who isn't working on the matter. The undertakings, if given proper consideration by staff, should also result in the disclosure of any breaches that may have occurred and induce the employee to inform the Compliance Officer upon becoming aware of any such breach.
34. It is important to realise that undertakings form only part of the Information Screen rationale. They cannot be used on their own as a sufficient barrier.

Guideline 7 – Limiting Contact

Contract between personnel involved in the current matter and screened persons should be appropriately limited to ensure that the passing of information or documents between those involved in the current matter and screened persons does not take place. Further, the firm should consider whether it is appropriate for such personnel to have contact with the client in other matters during the current matter.

35. Generally, discussions on the current matter should be confined appropriately to only those working on the file. Those working on the current matter should not be in receipt of any

confidential information disclosed in earlier matters, nor should they seek to be made aware of such information.

36. Whilst physical separation between staff may not always be practical with the use of separate offices, floors or buildings, vigorous strategies must be implemented to ensure appropriate separation or restriction of access to electronic information.
37. Screened persons and personnel currently working on the matter should seek assistance from the Compliance Officer to ensure that files are locked and/or limited access is given to personnel where files are located (with signs displayed). It is imperative that files which are the subject of Information Screens are able to be immediately identified. Colour coding and clearly labelled files, indicating restricted access, should form part of the protocols and policies implemented by all firms, which should also include a system of both visual and verbal reminders. For example, red file covers indicating an “*alert*” or a picture of a “*brick wall*” detailing the words “Information Screen Protocols Active” may be helpful in serving as a visual reminder.

Guideline 8 – Protection of Confidentiality

The intellectual property firm should take steps to protect the confidentiality of all correspondence and other communications related to the earlier matter.

38. Regardless of whether the earlier matter has ceased or continues to be active, the firm is required to take all reasonable steps to ensure the confidentiality of information contained in the files.
39. This may involve the implementation of an appropriate system for the receipt, opening and distribution of post, facsimiles, e-mails and other technological communications to ensure that confidential information is not disclosed. Such measures may require the Compliance Officer to filter incoming correspondence marked “*confidential*”.
40. Further, the implementation of a computer firewall and restricted access to electronic documents through personnel levels or the use of passwords is highly recommended. The Compliance Officer and partner overseeing the matter should be able to vary the access to the electronic file as soon as the matter is opened or a conflict is identified.

Guideline 9 – Protection of Confidentiality, Access to Files and Electronic Files

- (i) Any files held by the firm relating to the earlier matter should be stored in a secure place where they can only be accessed by screened persons and the Compliance Officer.***
- (ii) Access to any electronic files the firm holds relating to the earlier matter should be restricted to screened persons and the Compliance Officer. The firm should set up appropriate forms of technological protection to ensure access is restricted.***

41. This guideline provides that all files relating to earlier matters, regardless of being hard copy or electronic should be stored in a secure location (if electronic with the use of e-Wall restrictions) with access restricted to screened persons and the Compliance Officer.

Guideline 10 – Ongoing Education Programs

The firm should have an ongoing education program in place, including:

- (a) education for all personnel about the firm’s protocol for protecting confidential information and for setting up and maintaining information barriers, including:***
 - (i) employment terms for staff;***
 - (ii) standard retainer terms with clients;***
 - (iii) electronic and physical access to documents and files;***
 - (iv) firm culture on such issues as discussion of client matters only on a “need to know basis”;***
 - (v) sanctions for non-compliance; and***
- (b) additional education for individuals involved in matters affected by an information barrier, including the arrangements in place for the particular case and sanctions for non compliance.***

42. Prior to the implementation of any Information Screens, a broadly based education program should be established within the firm. Such programs are required to be

implemented in order to create a cultural change within the firm, whereby Information Screens are an accepted part of the organisational arrangements, and which provide details on the protocols of the Information Screens within the firm for all personnel. As a starting point, the principles underlying the Information Screen implemented within the firm should be provided in the firm's policy manuals. Further, formal and regular training should be conducted on duties of confidentiality and responsibilities under Information Screens, including inadvertent disclosure.

43. Where a conflict of interest has directly been identified, separate information and education sessions should be conducted for affected personnel with regard to the specific matter, in order to generate and understand an appreciation of the issues, and to limit the interaction between the screened persons and those personnel working on the other relevant retainer. These targeted sessions are important in addressing the Information Screen and how it relates to the individual case.

F. A GOOD CASE EXAMPLE

44. In considering the above guidelines, it is useful to examine their working practicality in a particularly instructive case that has come before the courts.
45. The case of *Bureau Interprofessionnel Des Vins De Bourgogne v Red Earth Nominees Pty Ltd (t/as Taltarni Vineyards)* [2002] FCA 588, dealt with an application for an order that the Applicant's representatives, Corrs Chambers Westgarth, be restrained from continuing to act. Red Earth initially retained Mallesons Stephen Jacques to provide advice at an early stage of the dispute, with the Applicant also initially retaining Freehills (at that stage Freehills Carter Smith Beadle). The basis of the claim then arose because the employees who had worked on the matters from both Mallesons and Freehills commencing employment at Corrs Chambers Westgarth, the Applicant's new representatives.
46. Red Earth subsequently retained Davies Collison Cave who expressed concern that the solicitor from Mallesons Stephen Jacques was in possession of confidential information through the course of her former employment that was relevant to the matters in issue between the parties. The former employee had now joined the intellectual property department at Corrs Chambers Westgarth. Red Earth considered Corrs Chambers

Westgarth to have a conflict of interest and asserted that they should not continue to act for the Applicant's in these proceedings.

47. In managing the alleged conflict, Corrs Chambers Westgarth took a number of steps to ensure that an Information Screen was appropriately established for this matter. Such measures included an undertaking from the former Mallesons Stephen Jacques employee not to be involved in the matter; limiting the retainer so that the firm was not in any way obliged to disclose or make use of any confidential information that may have been previously obtained; identification of who had previously acted in the matter and who was currently acting and Affidavits and undertakings from personnel currently working on the matter supporting the (past and future) non disclosure of any confidential information. It was also important to the Court that the former Mallesons Stephen Jacques employee was not in possession of (or able to access) any documents relating to Red Earth, with all documents held by Corrs Chambers Westgarth being located and secured on a separate floor and not accessible without the relevant partner's knowledge.
48. Additional precautions were also implemented as all correspondence was identified as "*strictly confidential*" and arrangements were in place for it to be addressed to and opened by the relevant partner, with the mail room having been informed of these measures. The provision of e-Walls were implemented to ensure that computers were "*locked*" when personnel were absent from their respective offices, to prevent the possibility of any unauthorised access. Further restricted access and password protected documents were created to limit access to those only working on the file. All documents relating to this file were designated to be printed to one identified printer, with the former Mallesons Stephen Jacques employee using a different printer. The Information Screen was also extended to include telephone communications, which were conducted behind closed doors and the volume of any calls on "*speaker phone*" was to be lowered to minimise the risk of being inappropriately overheard.
49. The Court dismissed the application based on the fact that no personnel of Corrs Chambers Westgarth were retained by Red Earth in the current proceedings. Whilst the Court accepted that, in the course of acting on behalf of Red Earth, the former Mallesons Stephen Jacques employee had acquired confidential information, Corrs Chambers Westgarth had discharged the burden of proving that there was no real risk of disclosure of the confidential information presumptively acquired. Accordingly, the Court was satisfied

there was no significant risk that any relevant confidential information would come into the hands of fellow colleagues in the present proceedings.

50. So this case is a good practical example of how to set up effective measures to implement a “*Chinese Wall*”.

G. PRACTICAL IMPLEMENTATION OF INFORMATION SCREENS

51. The essential aim of an Information Screen is to implement an effective plan which operates as a secure barrier to quarantine confidential information.²² Information Screens are often required to be used in a number of different scenarios and therefore need to be resilient and almost chameleon like, being able to accommodate a vast array of conflicts and also able to adapt at any time to suit the changing progression of the matter. Further, the key strategies implemented into an Information Screen are required to be multi faceted in the approach to the management of confidentiality issues. If implemented and managed correctly, Information Screens may properly address the risk of disclosure of confidential information in most instances.²³
52. Information Screens should ideally to be considered by intellectual property firms within the broader concept of a risk management plan, whereby systemic elimination or minimisation of the risk is actively under consideration.
53. Whilst the guidelines provide an overview and a benchmark of minimum recommendations, the Information Screen implemented will be as individual as your firm. As each intellectual property firm differs, no two Information Screen systems will be identical. Some of the variables to consider for your firm include:
- size of firm;
 - practice areas;
 - frequency of conflicts;
 - type of confidential information held;
 - values;
 - firm culture;

²² Charles Hollander QC and Simon Salzedo, *Conflicts of Interest*, 3rd Edition 2008 143 -144.

²³ See for example *Bureau Interprofessionnel Des Vins De Bourgogne v Red Earth Nominees Pty Ltd* [2002] FCA 588 (in paragraph 45 above).

- current practices and policies;
 - educational programs and training;
 - disciplinary procedures;
 - personnel and movement of personnel within the firm (e.g. part time “floating” staff, mail room personnel, clerks etc); all evaluated against the starting point that -
 - clients need to be assured of the protection of their confidential information.
54. In developing and implementing an Information Barrier strategy for your firm, it is important to consider the Australian Case Law as to what determines the appropriate standard. Following the decision by Ipp J in *Mallesons Stephen Jacques v KPMG Peat Marwick* (1990) 4 WAR 357 and Habersberger J in *Australian Liquor Marketers Pty Ltd v Tasman Liquor Traders Pty Ltd* [2002] VSC 324, the Australian Courts now rely upon the “*real and sensible possibility test*”, where “*tainted*” individuals (or screened individuals) must be effectively screened (restricted) from the matter so that there is no real and sensible possibility of misuse of the confidential information.²⁴
55. Further, the case of *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 established the requirement that the risk of confidential information being disclosed must be a “*real one, and not merely fanciful or theoretical. But it need not be substantial*”.²⁵
56. The burden of establishing that there is no unacceptable risk is upon the law practice.²⁶ In *Village Roadshow Ltd v Blake Dawson Waldron* [2003] VSC 505, Byrne J, quoting the *Prince Jefri Case* said:
- [O]nce it appears that a solicitor is in receipt of information imparted in confidence, the burden shifts to the solicitor to satisfy the Court on the basis of clear and convincing evidence that all effective measures have been taken to ensure that no disclosures will occur....²⁷ (our emphasis).
57. Undoubtedly, the standard of this duty is high in order to ensure that ethical standards remain paramount.

²⁴ See *Mallesons Stephen Jacques v KPMG Peat Marwick* (1990) 4 WAR 357 and *Australian Liquor Marketers Pty Ltd v Tasman Liquor Traders Pty Ltd* [2002] VSC 324.

²⁵ *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 at 226 - 227

²⁶ See for example *Newman v Phillips Fox* (1999) 21 WAR 309; *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222.

²⁷ *Village Roadshow v Blake Dawson Waldron* [2003] VSC 505 at 34.

58. Further, Byrne J in *Village Roadshow Ltd v Blake Dawson Waldron* [2003] VSC 505, noted that large firms have to an extent monopolised certain practice areas,²⁸ and have found it “*commercially convenient to become large*”, but that this is certainly “*no reason for the courts to weaken the traditionally high standard of loyalty to the client*”.²⁹ There is a strong body of authority indicating that in circumstances where a real risk of disclosure remains, an Information Screen will not be sufficient to allow a firm to continue to act on behalf of their “*new*” client.³⁰
59. The working efficiency of Information Screens must always be assessed with reference to the facts of each individual case. An Information Screen or e-Wall simply cannot catch every conflict or ensure all confidential information will remain undisclosed. In *Newman v Phillips Fox* (1999) 21 WAR 309, the court presumed that “*ordinary information moved within a firm of solicitors*” and whilst it was possible for an Information Screen to be erected to prevent this, the firm had great difficulty in that case in convincing the Court that the wall would be effective.³¹ In this case, the plaintiff was involved in an arbitration where information had been imparted to an employee solicitor who was acting under the supervision of one of the firm’s partners. The employee solicitor and partner (as well as support staff) then became employed at Phillips Fox, who were the solicitors for the defendant in the arbitration. Phillips Fox proposed that an Information Screen be designed to protect extensive amounts of confidential information relating to the arbitration and proposed that all solicitors (involved for both the plaintiff and defendant) would provide written undertakings in order to maintain the confidences and agree not to consult the other employees in respect to the arbitration proceedings.
60. However, (and importantly) Phillips Fox had only considered an Information Screen some months after the new employees joined the firm, and this was one important reason why the Court was not convinced in this case that all reasonable measures had been taken to protect the confidential information. The Court held that the Information Screen proposed by Phillips Fox fell far short of what was required. Further, as the proposed screen was not timely, there was a real risk of inadvertent disclosure. In addition, the use of undertakings in this matter was not considered by the court to be enough on its own – the lack of any

²⁸ *Village Roadshow v Blake Dawson Waldron* [2003] VSC 505 at 49.

²⁹ *Village Roadshow v Blake Dawson Waldron* [2003] VSC 505 at 49.

³⁰ See *D & J Constructions Pty Ltd v Head* (supra) (1987) 9 NSWLR 118, *Effem Foods Pty Ltd v Trade Consultants Ltd* (1989) 15 IPR 45; *David Lee & Co (Lincoln) Ltd v Coward Chance (a firm)* [1991] Ch 259; *Re a firm of Solicitors* [1992] QB 959, *Zalfen v Gates* [2006] WASC 296.

³¹ *Newman v Phillips Fox* (1999) 21 WAR 309 at 324.

educational program or procedures, monitoring, record keeping or disciplinary sanctions was also considered by the Court. Whilst Phillips Fox had proposed a starting point for an Information Screen, the Court found that the scheme did not extend far enough to ensure the confidential information would not be disclosed. Accordingly, as adequate safeguards had been put into place by Phillips Fox, the Information Screen failed.

61. An unsatisfactory Information Screen may be susceptible to “leaks” and result in additional expense, inconvenience and a loss of reputation. A client is entitled to assume that the intellectual property firm “*will be in a position to approach the matter concerned with nothing in mind but the protection of [the] client’s interests against those of the other party*”.³² The client should not have to depend on a person who has “*conflicting allegiances and who may be tempted either consciously or unconsciously to favour the other client*”.³³ Accordingly, an Information Screen must be considered to be the minimal standard which a firm should adopt, with additional safeguards being established and implemented where appropriate, that are relevant to the particular matter.
62. A further point to consider is that whilst an Information Screen may be considered adequate in controlling the quarantine of confidential information in the preliminary stages of a matter, its ability to remain effective may diminish as the matter progresses over a number of years. Or it may be undermined by human error. In the case of *Asia Pacific Telecommunications Limited v Optus Networks Pty Limited* [2007] NSWSC 350, the New South Wales Supreme Court heard an application brought by Asia Pacific to restrain the defendant’s solicitors from acting. The facts of the case involved the plaintiff suing the defendant for damages arising out of the provision of telecommunication services. The defendant’s representatives (and in particular, one employee) had previously been engaged by a related company to the plaintiff in separate proceedings, during which confidential information relating to the plaintiff was imparted to the defendant’s representatives.
63. As part of an Information Screen, the confidential information was placed in a locked cupboard at the defendant’s representatives firm (a mega firm – relevant for the purposes of this case). The solicitor involved in the previous matter provided confidentiality undertakings and an Affidavit for the benefit of the plaintiff, which expressly noted the requirement to “*not undertake in any capacity any work or other activity relating to*” the present proceeding. The Court was satisfied that there was no real risk of the information

³² *Thompson v MiKelsen* [1974] NSW SC (unreported) Wootten J.

³³ *Thompson v MiKelsen* [1974] NSW SC (unreported) Wootten J.

being disclosed to the new team working on the current matter, as a “*sensible and safe system*” was in place which included undertakings and the confidential information to be secured. The Application was dismissed by the Court because an effective Information Screen was employed and there was no reason to restrain the firm from acting on the basis of there being no risk of disclosure.

64. However, some two years later, correspondence was exchanged between the parties’ representatives where it was agreed on short notice that a directions hearing scheduled for the following day be adjourned so as to allow the parties to consider their position. The correspondence included consent minutes for the defendant’s solicitors to sign. In a hasty move, an employee solicitor attempted to find the supervising partner who was absent from the office. Given the impending deadline to have the consent orders produced to the court, the solicitor asked another partner to sign the orders without informing him of the name of the matter, just referring to the fact that orders had been agreed and that there was a request that they be signed. Regrettably, the partner who signed the consent orders was the solicitor who was the subject of the undertakings in this matter two years earlier!!
65. Asia Pacific then filed a new application to restrain the defendant’s solicitor from acting any further, given the fact that the Information Screen between the “*old team*” and the “*new team*” had been so readily breached. Whilst the information contained in the consent orders was not confidential and the “*offending*” partner did not in fact receive any confidential information, the act of the partner in simply “*assisting*” the employee solicitor to sign the consent orders was a clear breach of the Information Screen. The Court accepted that the partner’s lack of consciousness of his obligations made this an inadvertent breach. However, the Court highlighted the fact that a reasonable fair minded observer would be aware the firm had obtained confidential information from the plaintiff during the earlier matter which was kept in both hard and electronic form, albeit with restricted access to the files. Access was only available with the approval of the Chief Executive Partner, with the file being locked in a cupboard on a different floor to the solicitors acting in the current matter. Further, confidentiality undertakings and Affidavits were in place. However, the fact was that such protection measures were inconsistent with the facts that had in fact occurred, even if it was only an inadvertent breach. Therefore the Court considered that a fair-minded observer acting reasonably would have concerns that such inadvertent conduct could occur again despite undertakings being given.

66. The Court noted that “*the lack of a real risk of disclosure or misuse will depend upon the design*” of the Information Screen.³⁴ In this instance, the Court was satisfied that the risk of disclosure or misuse remained real and not fanciful – therefore the firm was restrained from acting any further for the defendant in the current proceeding.
67. This case highlights the problems which can arise in the busy environments we work in and the deadlines and short time constraints we all often face. However, the position remains that it is important for an Information Screen to be able to accommodate such pressures. As Information Screens are unique, there are varying limitations which will impact upon compliance and firms must be conscious of their limitations.

H. MANAGEMENT OF INFORMATION SCREENS WITHIN YOUR FIRM

68. The implementation and practical management of Information Screens within a firm has to be first adopted by management, and then integrated within the entire firm as a culture. As the enforcement of Information Screens in our busy day-to-day lives can be very difficult,³⁵ their effectiveness is often reliant upon professional integrity and, largely, self regulation and firm discipline.
69. The starting point of developing an Information Screen is to recognise that such strategies cannot simply rely entirely on an individual’s ability to keep confidences, that is a person’s “*mind wall*” is not an Information Screen. Guidelines and case law examples indicate minimum standards as to the development of a practical Information Screen. However each matter needs to be addressed individually. A structured framework in policy, notifications, reporting, critiquing, reviewing, discipline, education and training programs must be developed to ensure a solid foundation is established prior to adapting the Information Screen to suit a particular conflict. The effectiveness of an Information Screen will depend on the facts of each individual case and the appropriate precautions and measures implemented to manage the situation.
70. The idea of Information Screens being a “*cultural*” issue within a firm addresses the issues of inadvertent disclosure. Employees regularly discuss their matters with fellow colleagues who are not immediately involved in the matter, such that damage may be done without

³⁴ *Asia Pacific Telecommunications Limited v Optus Networks Pty Limited* [2007] NSWSC 350 at 34.

³⁵ *D & J Constructions Pty Ltd v Head* (1987) 9 NSWLR 118 at 123 per Bryson J.

the partner even knowing! By instilling a culture which actively recognises and embraces the use of Information Screens, the prospect of inadvertent disclosure during discussions at “*partners meetings, committee meetings, lunches, office golf tournaments, in the boardroom or in the washroom*”³⁶ may be contained.

I. CONCLUSION

71. Whilst a properly and carefully established Information Screen may prevent a breach of a duty arising from a conflict of interest, the question must still be considered on the facts of each case, and the actual measures in place and their timing, to determine whether a conflict prevents an intellectual property firm from acting for the “*new*” client. In each instance, convincing evidence of the precautions taken to protect the confidential information and their adequacy for the particular matter, ensuring that there is no real and sensible possibility of misuse of the confidential information, is vital.
72. So there is no one universal Information Screen that will always apply to each and every intellectual property firm, and address every factual situation that may arise. Finding the correct balance of the needs of your firm and your clients, will allow for the adoption and continual development of an effective Information Screen process. Once established, regular evaluation and adaptation of the chameleon like structure of an Information Screen, and regular staff training sessions will allow your firm to deal with these situations as they arise and, hopefully, gain a further competitive advantage.

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³⁶ Sopinka J in *MacDonald Estate v Martin* [1990] 3 SCR 1325 (Supreme Court of Canada) at 269.