



**SHERIFF APPEAL COURT**

**[2024] SAC (Civ) 11  
ABE-CA40-18**

Sheriff Principal A Y Anwar  
Sheriff Principal G A Wade KC  
Appeal Sheriff T McCartney

**OPINION OF THE COURT**

delivered by APPEAL SHERIFF THOMAS McCARTNEY

in appeal in the cause

WEATHERFORD SWITZERLAND TRADING AND DEVELOPMENT GmbH

Pursuer and Appellant

against

iiiTEC LIMITED

Defender and Respondent

**Pursuer and Appellant: O'Brien KC; Stronachs LLP**

**Defender and Respondent: Cormack KC, (sol. adv); Pinsent Masons LLP**

26 March 2024

**Introduction**

[1] This is an appeal against the decision of the sheriff in a commercial action in Aberdeen Sheriff Court. The central issue is whether legal professional privilege attaching to the contents of a confidential envelope delivered to the sheriff clerk in compliance with an order for commission and diligence (“the disputed documentation”) has been lost. The action relates to a dispute arising out of a Manufacturing and Distribution Agreement

between the parties in 2009 and, in particular, whether the defender, “iiiTEC” was in a position to grant exclusive rights for the use of a patent.

[2] The pursuer and appellant, Weatherford Switzerland Trading and Development GmbH, “Weatherford Switzerland” seeks to bring under review the decision of the sheriff that any privilege attaching to the disputed documentation has been lost.

[3] Section 280 of the Copyright, Design and Patents Act 1988 (“the 1988 Act”) provides that any communication, document, material, or information between a patent attorney and a client is privileged from disclosure in like manner as if the patent attorney had at all material times been acting as the client’s solicitor. It was agreed by parties before the sheriff and this court that section 280 of the 1988 Act applies and that the rules of legal professional privilege apply *mutatis mutandis* to the disputed documentation.

[4] The appeal raises a number of questions regarding the assertion of legal professional privilege in Scots law:

- i) Does the legal professional privilege of a predecessor in title continue for the benefit of a successor in title?
- ii) Does the transfer of information, subject to legal professional privilege, from a company linked to the pursuer lead to an inference that legal professional privilege has been waived by the linked company?

[5] A further specific issue which arises in the circumstances of this appeal is whether the sheriff was entitled to make a finding contrary to the agreed position put forward by the parties and without affording either party the opportunity to make submissions.

**Factual background**

[6] In this action Weatherford Switzerland asserts that iiiTEC was not in a position to grant exclusive rights to the patent in issue and alleges a breach of a Manufacturing and Distribution Agreement between the parties. iiiTEC contends that there has been no breach of the agreement.

[7] The patent in issue was granted to Petrowell Ltd in 2016. Petrowell Ltd instructed Murgitroyd & Company Limited as patent agents to pursue the patent application.

[8] In 2017 Petrowell Ltd ceased trading and assigned all of its intellectual property to Weatherford Technology Holdings LLC. All the other assets of Petrowell Ltd were transferred to Weatherford UK Ltd. Weatherford Technology Holdings LLC, Weatherford UK Ltd, and Weatherford Switzerland are separate companies within a group of companies.

[9] In January 2022, iiiTEC's solicitor wrote to Murgitroyd and asked them to disclose their file relating to the patent application. Murgitroyd refused, citing confidentiality. Murgitroyd alerted in-house counsel of the Weatherford group to the request made by iiiTEC's solicitor. In-house counsel instructed Murgitroyd to send their file to the solicitor acting for Weatherford Switzerland in the litigation. Senior counsel for Weatherford Switzerland advised both the sheriff and this court that the basis for that transfer was so that the content of the Murgitroyd file could be considered in the context of any formal request for disclosure that might follow.

[10] iiiTEC made a formal request by letter dated 10 February 2022 for the documentation contained in the Murgitroyd file. In their first substantive response, on 2 March 2022, Weatherford Switzerland refused to disclose the Murgitroyd file on various grounds, including privilege. iiiTEC then moved for commission and diligence and enrolled a specification of documents on 1 August 2022.

[11] Weatherford Switzerland opposed that motion. By interlocutor dated 19 August 2022, the sheriff granted commission and diligence. However he deferred consideration of any arguments regarding privilege and confidentiality. The material in the Murgitroyd file which was accepted not to be privileged was separated out by Weatherford Switzerland's solicitor and provided to iiiTEC Limited. The remainder was placed in a confidential envelope and lodged at the sheriff court on 13 December 2022.

[12] IiiTEC Limited lodged a motion to open the confidential envelope containing the Murgitroyd file which was opposed by Weatherford Switzerland. The sheriff heard from both parties at an opposed motion hearing on 2 June 2023.

[13] In advance of the opposed motion hearing, Weatherford Holdings and Weatherford UK each sent a separate letter to Weatherford Switzerland. The letters are undated; however, senior counsel for Weatherford Switzerland was clear that the letters were sent subsequent to the transfer of the Murgitroyd file to its solicitor. Each letter authorised Weatherford Switzerland to assert their respective right of privilege in respect of the Murgitroyd file.

#### **The sheriff's interlocutor**

[14] The sheriff issued his decision on 15 June 2023. The sheriff determined that any privilege attaching to the Murgitroyd file documents contained in the confidential envelope had been waived.

[15] Before the sheriff, senior counsel for Weatherford Switzerland had submitted that authority to assert privilege can pass to a successor in title. Senior counsel for iiiTEC was noted by the sheriff as having conceded that proposition. The sheriff, without hearing any further argument, considered that the concession was wrongly made by the defender, at least

in so far as relative to a singular successor as in this appeal (as opposed, for example, to an executor of a deceased client or a liquidator of a client company). The sheriff held that the right to assert privilege over the Murgitroyd file was lost when Petrowell handed the documents over to Weatherford Holdings or Weatherford UK.

[16] Even if Weatherford Holdings or Weatherford UK could assert privilege over the Murgitroyd file as a successor in title, the sheriff held that legal professional privilege had been waived. The sheriff held that Weatherford Switzerland had no right to assert privilege. The circumstances in which it had come to be in possession of the Murgitroyd file led to the inference that the right to assert privilege by the successor in title had been waived by virtue of the transfer from them to the solicitor acting for Weatherford Switzerland. Had the successor in title (whether Weatherford Holdings or Weatherford UK) wanted to assert legal professional privilege the simple means to do so was for them to not have transferred the Murgitroyd file to any other entity and resist disclosure by asserting privilege. The release of the Murgitroyd file to the solicitor acting for Weatherford Switzerland, however, clearly amounted to a waiver of privilege by whichever one of Weatherford Holdings or Weatherford UK in fact had acquired the intellectual property rights in the patent from Petrowell.

[17] The sheriff fixed a further hearing to be heard by parties as to the wording of the interlocutor authorising the opening of the confidential envelope. His reason for doing so was that some of the documents in the confidential envelope, notwithstanding the waiving of legal professional privilege, may still be confidential. He wanted to be addressed by parties on the appropriate means for the documents to be disclosed to iiiTEC. Prior to that hearing taking place, however, Weatherford Switzerland sought leave to appeal the sheriff's interlocutor which was granted on 11 July 2023.

## The Appeal

[18] Weatherford Switzerland has appealed the decision of the sheriff on four grounds:

- (i) the sheriff erred in deciding the motion on the basis that legal professional privilege could not be transferred to a successor in title of the original client when no such argument was advanced by iiiTEC and he had not indicated that he was minded to decide the motion on that basis;
- (ii) the sheriff erred in law in holding that the right to assert legal professional privilege could not to be transferred to a successor of the original client;
- (iii) the sheriff erred in law in holding that privilege had been waived when the file was made available to Weatherford Switzerland's agents for the purpose of considering the response to iiiTEC's document recovery requests;
- (iv) the sheriff erred in law in holding that fairness favoured the view that privilege had been waived.

[19] Prior to hearing oral submissions on the four grounds of appeal, senior counsel responded to a number of questions which had been raised by the court. Before the sheriff, the position of Weatherford Switzerland was that the successor in title to Petrowell was either Weatherford Holdings or Weatherford UK. Senior counsel contended that, for the purposes of this appeal, it did not matter which entity was the successor in title as both entities had authorised Weatherford Switzerland to assert any right of privilege either entity held over the Murgitroyd file. Standing those authorisations, the court only had to consider the issue of whether or not legal professional privilege had been waived by those entities.

[20] Notwithstanding that, the court asked senior counsel on behalf of which company within the Weatherford group in-house counsel had issued the instruction to Murgitroyd to

transfer their file to Weatherford Switzerland's solicitor. Senior counsel accepted that only one company could have done so - the successor in title. The court was advised that there is a single in-house counsel for the Weatherford group companies, including Weatherford Switzerland, Weatherford Holdings, and Weatherford UK. The in-house counsel had issued an instruction to Murgitroyd to transfer their file; however, no clear consideration had been given by that individual as to which company had issued the instruction (ie whether the instruction was issued on behalf of Weatherford Switzerland itself, Weatherford Holdings, or Weatherford UK). Senior counsel thereafter took instructions from his client to seek further clarification. He subsequently advised the court that the in-house counsel considered he issued the instruction on behalf of Weatherford Holdings as it was the holding company to which the intellectual property rights of Petrowell had been assigned. As such, the position of Weatherford Switzerland was that the successor in title to Petrowell was Weatherford Holdings. Even if senior counsel was wrong and the successor in title was in fact Weatherford UK it did not alter Weatherford Switzerland's position. There had been no waiver of legal professional privilege, whichever company was the successor in title.

**Ground (i): Did the sheriff err in making a decision on a matter on which no submissions were invited?**

[21] Before the sheriff senior counsel for Weatherford Switzerland had maintained that title to assert privilege can pass to a successor in title. Senior counsel for iiiTEC had conceded that position.

[22] Without indicating that he was not so persuaded or seeking further submissions on the issue, the sheriff decided that the concession that legal professional privilege could be transferred to a successor in title of the original client was wrongly made and that it followed

that Petrowell's right to assert privilege in respect of the disputed documents created as a result of the client/patent attorney relationship was lost when Petrowell handed over the documents to Weatherford UK Ltd or Weatherford Technology Holdings LLC.

[23] Before us it was submitted that by proceeding in this manner a breach of natural justice had occurred as Weatherford Switzerland had no opportunity to address the point.

[24] While maintaining that there is no basis before this court to disturb the decision of the sheriff, senior counsel for iiiTEC did not advance any specific submission directed at this apparent procedural irregularity.

[25] We consider the submission for Weatherford Switzerland on this point to be well founded. As set out in MacPhail, *Sheriff Court Practice*, paragraph 17.13 it is generally incorrect to decide any matter which the parties have declined to argue. If the sheriff's view of the law differed from the jointly presented position, he should have raised the point and given the parties an opportunity to be heard thereon.

**Ground (ii): Did the sheriff err in law in holding that the right to assert legal professional privilege could not to be transferred to a successor of the original client?**

[26] On behalf of Weatherford Switzerland it was submitted that when Petrowell Ltd transferred its business and its intellectual property to other Weatherford group companies the contents of the files did not enter the public domain or otherwise lose their confidential character. Nor was there anything about those events which constituted an express or implied waiver of privilege. Thus, the contents of the file continued to be privileged. It was submitted that it would be surprising if privileged legal advice could not be passed on to the purchaser of a business or other asset.

[27] For iiiTEC it was submitted that Weatherford Switzerland had never tendered any material to support any position that, viewed objectively, privilege was not being waived when the documents were handed over in consequence of the business transfer transaction. There is nothing to indicate that, viewed objectively, Petrowell had any continuing interest in or reason for maintaining privilege, faced with an order of a court for recovery of documents in proceedings to which the documents were relevant, despite having handed the documents over pursuant to a commercial transaction.

[28] We conclude that the sheriff erred in law in holding that the right to assert legal professional privilege could not be transferred to a successor of the original client. There appears to be little Scottish case law as to whether privilege can pass to a successor to the original client's interest. In *The Executors of Lady Bath v Sir John Johnston*, Fac Coll 12 Nov 1811 the defender sought to recover correspondence that had passed between the pursuer's predecessor and his solicitor. The Inner House refused to allow recovery holding the deceased's correspondence to come under the general rule regarding confidential correspondence between client and agent.

[29] In England and Wales the Court of Appeal re-affirmed in *Travelers Insurance Co. Ltd v Armstrong* [2021] EWCA Civ 978 that a successor in title has the same benefit of legal advice privilege as its predecessor. Lord Justice Coulson explained that in respect of privileged documents, "a successor in title stands in the shoes of his or her predecessor."

[30] Having reviewed the authorities, the Court of Appeal's summary of the law includes the following:

"The right of a successor in title to disclosure of such documents, and to assert privilege in such documents as against third parties, is not a matter of the terms of a particular assignment or deed. It is a right that passes as a matter of law."

[31] The settled position in England and Wales in respect of transmission of legal privilege to a successor in title is consistent with the decision in the *Executors of Lady Bath* case. The right to assert legal professional privilege does transfer to a successor in title in respect of a corporate entity as with an individual. There is no basis on which to differentiate between the two.

[32] Therefore we conclude that the sheriff erred in law in holding that title to assert privilege did not pass to the successor in title when Petrowell transferred its intellectual property and other assets to the Weatherford companies.

**Ground (iii): Did the sheriff err in law in holding that privilege had been waived when the file was made available to the pursuer's agents?**

[33] Weatherford Switzerland submitted that all that has happened is that, when it became known that iiiTEC was interested in recovering the patent agents' files, the files were sent to its solicitors. That involved nothing more than the private sharing of material within a group of companies. It did not enter the public domain. It did not lose its confidential character. There was nothing that could amount to a waiver. On the contrary, the documents were made available to the solicitors so they could consider and prepare any opposition to disclosure. It would be surprising if sharing information within the group of companies caused that information to lose legal privilege.

[34] For iiiTEC it was submitted that the sheriff was plainly correct to decide that privilege had been waived when the files were made available to Weatherford Switzerland's agents. This was not simply sharing of information between group companies. It involved the provision of information of relevance and potential evidential significance in a litigation

to one of the parties to the litigation, namely Weatherford Switzerland, which enabled that party to assess the relevance and significance of that material to the litigation.

[35] We conclude that the sheriff did not err in law in holding that privilege had been waived when the file was made available to Weatherford Switzerland's agents. The issue of waiver of legal professional privilege was considered in the case of *Scottish Lion Insurance Co Ltd v Goodrich Corporation and Others* 2011 SC 534. In that case, the Extra Division noted that privilege will be lost if the information in question ceases to be confidential, for example, by being published in the press. Waiver of privilege will arise in circumstances where it can be inferred that the person entitled to the benefit of the privilege has given up his right to resist the disclosure of the information in question, either generally or in a particular context. Such circumstances will exist where the person's conduct has been inconsistent with his retention of the right to maintain confidentiality which the privilege is intended to protect.

[36] The Extra Division emphasised that waiver does not depend upon the subjective intention of the person entitled to the right in question but is judged objectively. Further, waiver of legal professional privilege is determined on an objective analysis of the conduct of the person asserting the privilege. Whether the conduct of a person entitled to the benefit of privilege has been inconsistent with the maintenance of confidentiality, either generally or for a limited purpose, is dependent upon the relevant circumstances.

[37] The right to assert legal professional privilege in respect of the disputed documentation transmitted to one of the companies in the Weatherford group, but not to Weatherford Switzerland. It would have been open to whichever of Weatherford UK Ltd or Weatherford Technology Holdings LLC had the right to assert legal professional privilege to have retained the patent agents' file and then lodge those documents in response to the commission and diligence while asserting their privilege.

[38] Neither did so. On the contrary the file was transmitted to agents acting for a separate legal entity, namely Weatherford Switzerland, which did not at that stage have the right to assert legal privilege, for their assessment. No conditions appear to have been attached to that disclosure. Undated letters have been produced authorising Weatherford Switzerland to assert a purported right of privilege on behalf of both companies in respect of the Murgitroyd files. The letters did not require that legal professional privilege be asserted but left that to Weatherford Switzerland to decide.

[39] While part of the same group of companies Weatherford Switzerland, Weatherford UK Ltd, and Weatherford Technology Holdings LLC are separate legal persons. It is a well-established principle that a holding company and its subsidiaries must be treated as separate entities, although the law may provide for the raising of the veil of incorporation in certain specific cases, such as the obligation to present group accounts.

[40] The disputed documentation was transmitted by the company with the right to assert privilege to a party to the action which had no independent right to assert privilege. Whether that amounts to waiver does not depend upon subjective intention but is judged objectively. The documents were forwarded to a party to the litigation in the full knowledge that they were being sought for the purpose of that litigation. An objective analysis of that conduct supports the conclusion that, in doing so, legal professional privilege has been waived.

[41] Weatherford Switzerland relies for support of their argument on the authority of *Gotha City v Sotheby's* [1998] 1 WLR 114(CA). However that case is properly distinguished as the sharing of privileged documents was between two defendants in the action and from which it could be implied that there was an inference of confidentiality. In contrast the present circumstances, neither Weatherford UK Ltd nor Weatherford Technology Holdings

LLC are involved in the court action; they transmitted the files to one of the parties to the action to decide, having regard to its own interests, whether legal professional privilege should be asserted.

[42] Reliance was also placed by Weatherford Switzerland on the case of *B v Auckland District Law Society* [2003] UKPC 38 in support of the proposition that waiver of privilege may be limited to a particular purpose. That proposition is not in doubt. However it does not assist Weatherford Switzerland as the particular purpose for which the disputed documentation was handed over was this litigation.

[43] The sheriff was correct to conclude that the circumstances in which the agents acting for Weatherford Switzerland came to be in possession of the documents which have found their way into the confidential envelope lead to an inference that the right of the successors in title to claim privilege has been waived.

**Ground (iv): Did the sheriff err in law in holding that fairness favoured the view that privilege had been waived?**

[44] For Weatherford Switzerland it was submitted that the sheriff erred in law in holding that fairness favoured the view that privilege had been waived. Unfairness arose when the party attempted to use or rely on the content of privileged advice. The unfairness perceived by the sheriff was the fact that an assertion of privilege would result in information being withheld from one side. However that is the essence of privilege.

[45] For iiiTEC it was submitted that these circumstances cause unfairness in a relevant sense because Weatherford Switzerland would have been placed in a position of significant advantage which was not a necessary incident of the assertion of privilege by those alleged to be entitled to it.

[46] We consider that the sheriff did not err in this regard. In *Scottish Lion Insurance v Goodrich Corporation* the court stated that where proceedings require to be conducted fairly, considerations of fairness may bear on an assessment of whether a person's conduct in relation to those proceedings has been inconsistent with the maintenance of confidentiality, and whether he must therefore be taken to have waived privilege. The circumstances here are that Weatherford UK Ltd and/or Weatherford Technology Holdings LLC have released documentation to which one had a right of confidentiality, to agents acting for a party to a litigation for purposes related to that litigation, without any conditions. The sheriff was entitled to conclude that it is simply unfair to allow Weatherford Switzerland to have the advantage of knowing what the documents reveal without according that same advantage to iiiTEC.

### **Conclusion**

[47] Therefore while the sheriff erred in respect of grounds one and two of this appeal he correctly decided that the right to assert privilege had been impliedly waived upon the disputed documentation being passed to a party to this action in which the company with the right to claim legal professional privilege is not involved. Consequently the appeal is refused and the action will be remitted to the Sheriff Court to proceed as accords.

[48] It was agreed that expenses should follow success and there was a joint motion for sanction to be granted for senior counsel.

[49] We refuse the appeal and adhere to the sheriff's interlocutor of 15 June 2023.

Thereafter, we remit the matter to the sheriff to proceed as accords. We find the pursuer liable to the defender in the expenses of the appeal and sanction the appeal as suitable for the employment of senior counsel.