Beyond the Patent: Essential Ethics for the Modern IP Lawyer

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IP SUMMIT
CLE & SKI

IP ETHICS KEY TOPICS:

- USPTO Regulatory Power
- Basics of IP Conflicts
- Subject Matter Conflicts
- Candor Obligations & Supervision
- Questions

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Emil J. Ali is a partner at McCabe & Ali, LLP where he focuses practice on helping lawyers understand their obligations on state and federal law. As a registered patent attorney, a significant focus of his practice involves advising lawyers and law firms on all aspects of the intersection of IP and ethics matters.

Emil's work includes counseling clients on lateral transitions, malpractice avoidance, expert opinion and testimony, and respondents defense work before various bars and courts. You can view his musings on IP ethics issues at www.ipethicslaw.com

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PRACTICE BEFORE THE USPTO

Practice before the Office includes, but is not limited to, law-related service that comprehends any matter connected with the presentation to the Office or any of its officers or employees relating to a client's rights, privileges, duties, or responsibilities under the laws or regulations administered by the Office for the grant of a patent or registration of a trademark, or for enrollment or disciplinary matters. Such presentations include preparing necessary documents in contemplation of filing the documents with the Office, corresponding and communicating with the Office, and representing a client through documents or at interviews, hearings, and meetings, as well as communicating with and advising a client concerning matters pending or contemplated to be presented before the Office. Nothing in this section proscribes a practitioner from employing or retaining non-practitioner assistants under the supervision of the practitioner to assist the practitioner in matters pending or contemplated to be presented before the Office.

See 37 CFR 11.5(b).

PRACTICE BEFORE THE USPTO

- The conduct of attorneys and agents is subject to regulation by the USPTO under 35 U.S.C. § 2(b)(2)(D):
  - "The [USPTO] may establish regulations… [that] may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office…."
- *See, e.g., Lacavera v. Dudas*, 441 F3d 1380, 1381 (Fed Cir 2006) ("The PTO has statutory authority to regulate attorney practice before it"); *Bender v. Dudas*, 490 F3d 1361, 1368 (Fed Cir 2007). ("The regulations in question are well within the scope of the enabling statutes."); *Sperry v. Florida*, 373 US 379, 402, 83 S Ct 1322, 1334-35, 10 LEd2d 428, 442 (1963) ("the State maintains control over the practice of law within its borders except to the limited extent necessary for the accomplishment of the federal objectives.").

DOES THIS MEAN ONLY THE USPTO RULES APPLY?

- “As far as express preemption is concerned in this case, it is clear that there is none. The text of 35 U.S.C. § 2(b)(2)(D) and 35 U.S.C. § 32 gives no indication that either of these statutes are intended to preempt the authority of states to punish attorneys who violate ethical duties under state law.”
- “As for field preemption and conflict preemption, there is indeed a limited field of law where the PTO's powers under 35 U.S.C. § 2(b)(2)(D) and 35 U.S.C. § 32 do preempt state law. Under these statutes, the PTO has the exclusive authority to establish qualifications for admitting persons to practice before it, and to suspend or exclude them from practicing before it. A state, for example, may not impose additional licensing requirements beyond those required by federal law to permit a non-lawyer patent agent to practice before the PTO. In Sperry v. State of Florida, 373 U.S. 379, 83 S.Ct. 1322, 10 L.Ed.2d 428 (1963), the U.S. Supreme Court ruled that the State of Florida could not enjoin a local patent practitioner, who was not admitted to the State Bar of Florida, from preparing patent applications and other legal instruments that are filed solely in the PTO.”

See Kroll v. Finnerty, 242 F.3d 1359 (Fed. Cir. 2001)

ROLE OF OED

The Office of Enrollment and Discipline (OED) is responsible for registering attorneys and agents to practice before the USPTO and for developing and administering the registration examination.

Additionally, the OED investigates allegations of misconduct by practitioners and administers and oversees the USPTO Law School Clinic Certification and Patent Pro Bono programs.

Both patent attorneys/agents and trademark attorneys are subject to the investigatory functions of OED.

BASICS OF CONFLICTS

Conflicts are everywhere

Conflicts can lead to ethics, malpractice, disqualification, and reputational harm.

Clients will (usually) sign waivers

A waiver requires informed consent

MAJOR TYPES OF CONFLICT

Direct Adversity

- If practitioner's conduct on behalf of one current client requires the practitioner to act AGAINST the interests of another current client.
- Two clients on OPPOSITE sides of the "v".

Material Limitation

- Representation of one client will be materially limited by:
  - *The practitioner's responsibilities to another client.*
  - *The practitioner's responsibilities to a third person.*
  - *The practitioner's personal interests.*

CONFLICTS 101

Clients Expect **Loyalty**

- Puts client interest first;
- No actions against client's interests;
- Business dealings with clients must be fair.

Clients Expect **Confidentiality**

- Essential to relationship;
- Encourages clients to be candid;
- Only to be used for purposes of representation.

WHY DO CONFLICTS MATTER?

- Fiduciary Status of Attorney
- Ethics Issues
- Malpractice Issues
- Disqualification
- Fee Disgorgement
- Business Reputation
- Client Trust
- Intra-Firm Harmony

WHAT IS A “SUBJECT MATTER CONFLICT”?

- A theory of conflicts in IP matters that arose specifically from patent prosecution.
- The issue arises when two current clients of same law firm seek patents in the “same technical space” or the “same subject matter.”
- The issue extends to TM practice where two Firm clients concurrently seek to register same or similar marks.

SUBLECT MATTER CONFLICTS OF INTEREST - MALPRACTICE

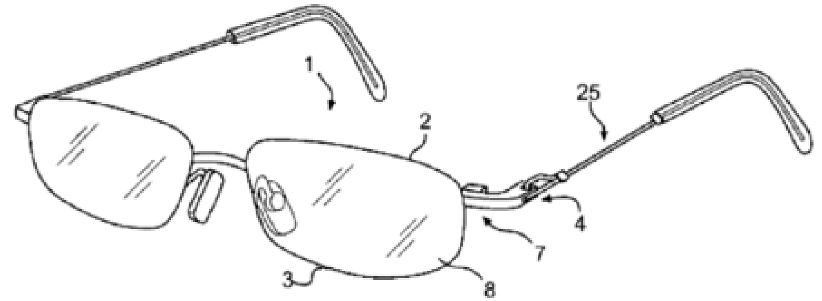

FIG. 1

MALING V. FINNEGAN

- Maling alleges that Finnegan had "actionable conflict" by assisting Masunaga, another Firm client, in obtaining patents.
- Complaint alleges the respective inventions "very similar" and in "same patent space."
- Maling alleges existence of Masunaga patents prevented him from commercializing his patents, costing him millions.
- Maling also alleges Finnegan refused to opine on scope of Masunaga's patents.

MALING V. FINNEGAN (cont'd)

- Were the two inventions "similar"?
- Maling invention:
  - Frame for securely holding a lens w/o need for screws, pins or bolts
- Masunaga Invention
  - Eyeglasses having screwless hinges which can avoid deflection of temples in vertical directions
- USPTO granted patents to both parties.
- Neither parties' applications were rejected or narrowed due to other parties' applications

MALING V. FINNEGAN (cont'd)

- Conflicting economic interests or competitor status not enough to be a conflict.
- Clients not directly adverse under Rule 1.7 (a)(1)
  - Not on opposite sides of litigation.
- Finnegan not "materially limited" under Rule 1.7(a)(2)
  - No patents limited by the other.
  - The fact PTO issued patents to both proved difference in inventions.
  - Court focuses on claimed invention—are they 102/103 to the other?

MALING V. FINNEGAN (cont'd)

- Threshold issue: By what standard does one determine if inventions are similar enough to give rise to a conflict of interest?
- Maling argues: Same technical space
- Finnegan argues: Focus on claims
- IP Law firms submit *amicus* brief supporting claim-focused standard.
- Case of first impression.

MALING V. FINNEGAN (cont'd)

- Supreme Judicial Court of Mass. agrees that must focus on claimed invention.
- Analogy to *Curtis v. Radio Representatives, Inc.* (D.D.C. 1988)
  - Same firm represented two companies in preparing applications for FCC broadcast license.
  - Court finds no "objectionable electrical interference" between the stations for the two client/applicants.

MALING V. FINNEGAN (cont'd)

- *Maling* distinguishes its facts from *Sentinel Prods. Corp. v. Platt* (D. Mass. 2002).
  - Firm prosecutes patents for Company A and also former employee of Company A.
  - Attys "unable to discern a patentable difference between" two applications.
  - Claims of one app. narrowed to avoid other.
  - Suggests a subject matter conflict
    - No malpractice due to lack of proof of damages
    - Potentially "actionable" by a Bar complaint—damages not required.

SUBJECT MATTER HYPO

- Lawyer represents trademark applicant A for a mark of Apple in Class 9 (computers), which has now registered.
- Lawyer is then asked to represent company B in Apel in Class 9 (cameras), and subsequently makes such a filing.
- Lawyer does not do any knockout or clearance search.
- Later, the USPTO cites A’s mark against B’s application in an Office Action under 2(d).
- Lawyer believes there is no conflict, and simply wants to respond to the OA, but is there a problem?

SUBJECT MATTER CONFLICTS- DISCIPLINE

IN RE LINDEN (USPTO D2022-10)

- Patent agent previously represented Company 1 (2007-2021) in metal smartcard patents.
- Subsequently represented former executive (Inventor) and Company 2 (competitor) starting August 2019.
- Filed patents for Company 2 that were not patentably distinct from Company 1's patents.
- Did not obtain informed written consent from Company 1.

IN RE LINDEN (cont'd)

Violations

- 37 CFR § 11.104- Failing to inform or communicate with a client about important decisions.
- 37 CFR § 11.107- Representing clients with directly adverse interest without consent.
- 37 CFR § 11.109- Representing new client in substantially related matter adverse to former client.
- 37 CFR § 11.116- Continuing representation that violates ethics rules.

IN-HOUSE LAWYER CONFLICTS

Client-Lawyer Relationship (Rule 1.10: Imputation of Conflicts of Interest: General Rule)

(a) While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 or 1.9, unless

(1) the prohibition is based on a personal interest of the disqualified lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm; or

(2) the prohibition is based upon Rule 1.9(a) or (b) and arises out of the disqualified lawyer's association with a prior firm, and

(i) the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom;

(ii) written notice is promptly given to any affected former client to enable the former client to ascertain compliance with the provisions of this Rule, which shall include a description of the screening procedures employed; a statement of the firm's and of the screened lawyer's compliance with these Rules; a statement that review may be available before a tribunal; and an agreement by the firm to respond promptly to any written inquiries or objections by the former client about the screening procedures; and

(iii) certifications of compliance with these Rules and with the screening procedures are provided to the former client by the screened lawyer and by a partner of the firm, at reasonable intervals upon the former client's written request and upon termination of the screening procedures.

IN-HOUSE LAWYER CONFLICTS

"Firm" or "law firm" *denotes a lawyer or lawyers in a law partnership, professional corporation, sole proprietorship or other association authorized to practice law; or lawyers employed in a legal services organization or the legal department of a corporation or other organization.*

ABA 1.0(c).

IN-HOUSE LAWYER CONFLICTS

The former in-counsel had worked for Global for 15 years and had negotiated the contract in question, albeit a standard contract. The court, while disqualifying counsel, stated:

> When a substantial relationship has been shown to exist between the former representation and the current representation, and when it appears by virtue of the nature of the former representation or the relationship of the attorney to his former client confidential information material to the current dispute would normally have been imparted to the attorney or to subordinates for whose legal work he was responsible, the attorney's knowledge of confidential information is presumed.

Glob. Van Lines v. Superior Court, 144 Cal. App. 3d 483, 192 Cal. Rptr. 609 (1983)

IN-HOUSE LAWYER CONFLICTS

- Once you go in-house—does that mean you cannot go back?

ABA Form. Ethics Op. 99-415 (not a client for all matters)

IN-HOUSE LAWYER CONFLICTS

- What about our affiliates, subsidiaries, parents? Lawyers owe various duties to their clients, including loyalty, confidentiality, etc.
- Example:
  - In-house lawyer for Company A is asked to create a contract for wholly owned subsidiary B, where A will be charging B for services. B is too small to have in-house counsel, so they have relied upon you for assistance in years past.
  - Who is your client?
  - Who is your loyalty to?
- ABA1.13(g) ("A lawyer representing an organization may also represent any of its directors, officers, employees, members, shareholders or other constituents, subject to the provisions of Rule 1.7. If the organization's consent to the dual representation is required by Rule 1.7, the consent shall be given by an appropriate official of the organization other than the individual who is to be represented, or by the shareholders.")

CANDOR OBLIGATIONS TO THE USPTO

37 C.F.R. §1.56 - Duty to disclose information material to patentability.

37 C.F.R. §1.555 - Information material to patentability in *ex parte* and *inter partes* reexamination proceedings.

37 C.F.R. §11.18(b) - Signature and certifications for correspondence filed in the office.

37 C.F.R. §11.303(a)-(e) - Candor toward the tribunal.

37 C.F.R. §42.11 - Duty of candor; signing papers; representations to the Board; sanctions.

CANDOR OBLIGATIONS TO THE USPTO

What about Trademark Practice?

Many filings have declarations under 18 USC 1001.

Practitioner is making certification under 11.18.

Consider:

Sophistication and experience with client.

Practitioner's review of matter and good faith belief.

The importance of recordkeeping.

ETHICS CONSIDERATIONS

- 37 CFR 11.18 – Similar to Rule 11 duties
  - "By presenting to the Office …(whether by signing, filing, submitting, or later advocating) any paper, the party presenting such paper, whether a practitioner or non-practitioner, is certifying that - (1) All statements made therein of the party's own knowledge are true, all statements made therein on information and belief are believed to be true…"
  - There has been an inquiry, reasonable under the circumstances.
  - Violations can include referral to OED, terminating proceedings, etc.

- Reasonable inquiry includes information known or that can be reasonably and readily obtained. See Jeffrey Kaplan v. John Brady, Jr., 98 USPQ2d 1830 (TTAB 2011).

- An attorney may rely on information provided by a client, unless the attorney has reason to believe that such information is inaccurate or incomplete. This is fact intensive, including based upon the sophistication of the client.

ETHICS CONSIDERATIONS

- 37 CFR 11.303 – Similar to ABA RPC 3.3
  - (a) A practitioner shall not knowingly:
    - (1) Make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the practitioner;
    - (2) Fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the practitioner to be directly adverse to the position of the client and not disclosed by opposing counsel in an inter partes proceeding, or fail to disclose such authority in an ex parte proceeding before the Office if such authority is not otherwise disclosed; or
    - (3) Offer evidence that the practitioner knows to be false. If a practitioner, the practitioner's client, or a witness called by the practitioner, has offered material evidence and the practitioner comes to know of its falsity, the practitioner shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal. A practitioner may refuse to offer evidence that the practitioner reasonably believes is false.

ETHICS CONSIDERATIONS

- 37 CFR 11.303 – Similar to ABA RPC 3.3
  - (b) A practitioner who represents a client in a proceeding before a tribunal and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal.
  - (c) The duties stated in paragraphs (a) and (b) of this section continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by § 11.106.
  - (d) In an ex parte proceeding, a practitioner shall inform the tribunal of all material facts known to the practitioner that will enable the tribunal to make an informed decision, whether or not the facts are adverse.
  - (e) In a proceeding before the Office, a practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.

USPTO & SUPERVISION

"Patent Attorney Tracy W. Druce (at the time with Novak Druce Connolly Bove & Quigg LLP) entered into a settlement agreement with OED, who claimed that his assistant had submitted false statements and fabricated mailing dates/certificates of mailing, including by forging Druce's name.

In re Druce, Proceeding No. D2014-13 (Sept. 5, 2014)

USPTO & SUPERVISION

Associate drafts PTAB filing and sends it to Partner for review. Partner sends it back to associate with comments.

Associate finalizes document and then Partner gives go ahead to sign and file on behalf of Partner.

Paralegal enters Partner’s signature and files.

Is that ok?

QUESTIONS?

THANK YOU!

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