ETHICS IN IP
(APLI; DECEMBER 2013)

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Topics

1. New Ethics Rules
2. Contracting around Ethics Rules
3. Disqualification Cases
4. Malpractice Cases
5. Litigation Misconduct
6. PTO Discipline
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New Ethics Rules!
Timeline

- 1983: ABA adopts Model Rules of Prof’l Conduct (replacing old Model Code)
- 1985: PTO adopts updated version of Model Code (??)
- 2004: PTO largely abandons proposal (??)
- 2012: PTO proposes Model Rules revision
- 2013: New PTO rules effective (May 3, 2013)
Legal Framework

- 35 U.S.C. § 2 (enabling statute)
- 37 CFR § 11.2 (OED authority)
- 37 CFR § 11.22 (grievance process)
- 37 CFR § 11.20-21 (disciplinary actions)
Highlights
§11.106 (Duty of confidentiality)

- Broad definition
- Duty of candor/disclosure to PTO trumps duty of confidentiality
- Dilemma: 1st client’s confidence is material to 2nd client’s application. Withdraw?
§11.106 (Duty of confidentiality)

- May reveal
- Client consent
- Death or substantial bodily harm
- Financial fraud exception
- Get ethics advice
- Defend yourself
- Other law requires
§11.107 - 112 (Conflicts)

- Modern framework
- Current client and former client rules
- New rule on imputation!!
- Permits limitation on liability!!
- “Technology too close” still tough issue
What was left out

- Pro Bono
- Pro Bono initiatives to come
- CLE Requirements
- No annual registration fee
- Comments to each rule
  - (e.g., advance waiver comments to 1.7)
Highlights (part 1)

1. ABA Model Rules 2011 (&2012 edits)
2. Effective May 3, 2013
3. Confidentiality: adds duty of disclosure
4. Lots of required writings (1.7, 1.8, 1.9, 1.10, 1.11, 1.12, 1.17, 1.18)
5. Imputation: like “new rule” under ABA (i.e., screens for lateral’s conflicts)
Highlights (part 2)

7. Duty of Candor
8. Supervisors & Subordinates
9. Ethics Enforcement:
   a. Procedure
   b. Neglect
   c. Dishonesty
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Contracting around Conflicts Rules
Ethics Rules

MR 1.2; 1.7, 1.9, 1.10

PTO Rules

California RPC 3-310
LAWSUITS IN THE MOBILE BUSINESS (REBUFF)

- EACH LINE IS A LAWSUIT; ARROWS POINT TO THE DEFENDANTS -
- DOTTED LINES REPRESENT RECENTLY CONCLUDED LAWSUITS -
- LIGHT GRAY INDICATES PATENT HOLDING COMPANIES -
Ethics 20/20 Proposal

- Choice of ethics law rejected
- “Back door” provision in 8.5
Galderma v. Actavis

- Upholds open-ended advance waiver at to unrelated matters
- Advance waiver held enforceable
- Client: sophisticated purchaser of legal services
- Client reppred by sophisticated GC

Macy’s
v.
J.C. Penny Corporation

- Upholds open-ended advance waiver at to unrelated matters
- Was not signed by client!
- If you accept our work, you agree to these terms
In re Shared Memory Graphics LLC

- In-house lawyer covered by JDA
- Advance waivers are ok, even beneficial
- DQ motion denied
- Dissent: would ignore advance waiver
APPC Services v. AT&T Corp.

- Firm’s written agreement bound lawyer who left firm
- Agreement exceeded ethics rules standards
Multimedia Patent Trust v. Apple

- Splitting suits to avoid current client conflict
- Other firm handled suit against current client
- Same technology at issue
- Client intervened; DQ denied
Suing industry containing clients

- *Enzo Biochem v. Applerera*
Resolving Client Conflicts by Hiring "Conflicts Counsel"
3 Disqualification Cases
3(a) Prospective Clients
Novelty Textile v. Windsor Fashion

- Copyright infringement case; textile designs
- Meeting with prospective lawyer
- Prospective client knew lawyer represented opponent; didn’t disclose it
- DQ denied
3(b)

Client Identity
Gaylor
V.
Law Firm

- Multiple entities to form new IP owner
- No documentation of client identity
- No conflicts waiver
- 1st IP lawyer recommended 2nd lawyer who botched drafting
3(c)

Current Client Conflicts
Parallel Iron v Adobe Systems


- Plaintiff’s counsel DQ’d
- Plaintiff’s counsel had worked for defendant
  - Gave Adobe opinion infringement opinions
  - Was consulted multiple times re multiple Adobe products and additional third party patents
- Adobe was reasonable in believing:
  - Attorney-client relationship lasting six years was continuing and current under Rule 1.7(a)
  - Adobe reasonably believed “its opinion counsel would not transform into adverse counsel without warning”
St. Simons v Hunter, Maclean, Exley & Dunn, P.C.

- Law firm can assert internal ACP vs current client
- Can assert work product protection
St. Simons (Georgia (7/11/13))

- (1) a genuine attorney-client relationship between the firm's lawyers and in-house counsel;
- (2) communications advanced firm's interest in limiting exposure rather than the client's interests in obtaining legal work;
- (3) the communications were conducted and maintained in confidence; and
- (4) no exception to the privilege applies.
Massachusetts (July 10, 2013)

RFF Family Partnership, LP v Burns & Levinson LLP

- Law firm can assert internal ACP vs current client
RFF Family Partnership (Mass.; 7/10/13)

(1) firm has designated internal attorney to represent the firm as in-house counsel,
(2) the in-house counsel has not performed any work on the client matter at issue or a substantially related matter,
(3) the time spent by internal counsel is not billed to a client, and
(4) the communications are made in confidence and kept confidential.
Malico v. Cooler Master

- Maintenance fees issue; not current client
- Former client, substantially related
- DQ granted
Self-owned patents
Theranos

V.

Fuisz Pharma

- IP lawyer filed patents for brother
- Patents allegedly cribbed from patents firm filed for Theranos
- Mostly a statute of limitations case
3(d)

Former Client Conflicts
Ethics Rules

MR 1.9
PTO 10.66
CRPC 3-310(E)
Patriot Universal Holding v. [Law Firm]

- Represented technological competitors
- Not clear if alleging that confidences were shared
- No federal jurisdiction
Emerging Doctrinal Dispute

- “Playbook” theory
- “Special insights”
- Expansion of former client conflicts test?
PCT Int’l v. Holland Electronics

- Former client DQ denied
- Something like a playbook motion
- Very close call
- Worked on other coaxial cable connector patents
- Worked w/ the inventor
Former Client DQ theory

- Lawyer represented corporate affiliate (loosely defined)
- Unrelated technology
- Plaintiff sold corp affiliate long ago
- No DQ on this basis

Prospective Client theory

- Lawyer met with plaintiff’s closely aligned parent about unrelated case
- “Core litigation, licensing, reasonable royalty and business model strategies”
- Learned attacks and responses
- DQ granted

Plaintiff’s lawyers formerly repped Dell

Broad theory of substantially related rejected

Playbook theory was vague

DQ denied
SANCTIONS AT THE PTO
In re Massicotte: (OED D2012-22)

- Petitioned to revive 3 abandoned TM apps
- Stated that she had “health issues” and that the office actions “were not received”.
- Violation of: 10.23(b)(4–6) \([\text{now in 11.804}]\)
- Disciplinary action resulted in:
  - 24-month suspension
- Mitigating factors
  - M “fully cooperated with the OED”
  - M had “no prior disciplinary history” in 12 years of practice
In re Meeker: (OED D2010-42)

- Multiple counts of misleading and making misrepresentations to clients and PTO.
  - E.g., petitioned to revive an abandoned patent app. where the entire delay was not unintentional.
- Violation of 10.23(b)(4—6) and 10.77(b) [now 11.101] “handl[ing] a legal matter without preparation adequate in the circumstances”
- Disciplinary action resulted in:
  - Voluntary resignation from practice
Non-Lawyer Owners
Supervisory Duties
Revolutionary Concepts v. Clements Walker PLLC

- Patent agent failed to file PCT
- US app was published
- Foreign rights lost
- Plaintiff named wrong party; tardily cured
- Failure to supervise claim was rejected