John Steele

ETHICS IN IP
(APLI; DECEMBER 2013)

John Steele Attorney at Law

www.johnsteelelaw.com john.steele@johnsteelelaw.com

650-320-7662 (USA)
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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

1 New Ethics Rules!

Timeline

- 1969: ABA issues Model Code of Prof'l Resp.
- 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)

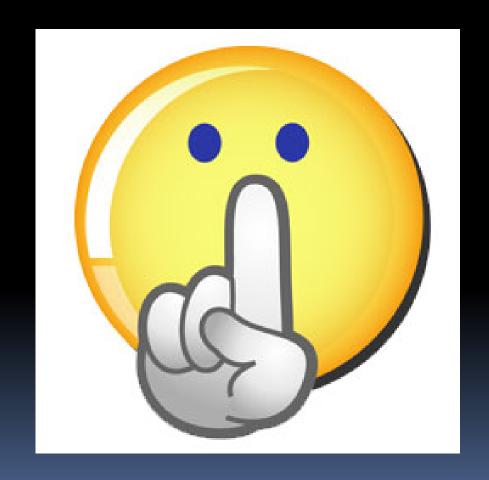
Legal Framework

- 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)
- 37 CFR § § 11.101 804) (rules)

Highlights

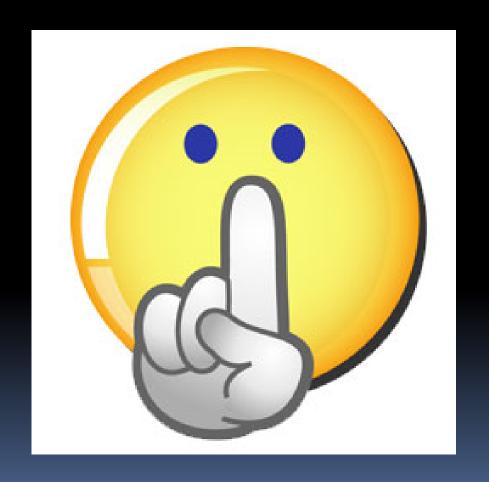
§ 11.106 (Duty of confidentiality)

- 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?



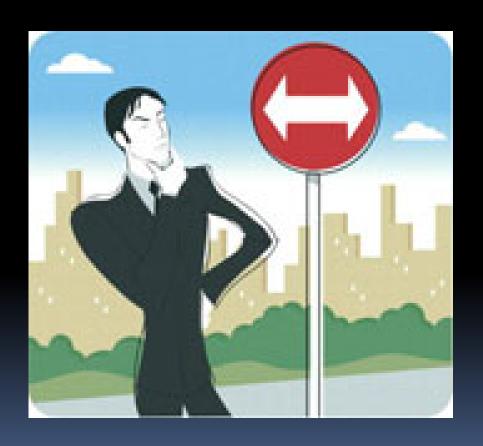
§ 11.106 (Duty of confidentiality)

- May reveal
- Client consent
- Death or substantial bodily harm
- Financial fraud exception
- Get ethics advice
- Defend yourself
- Other law requires



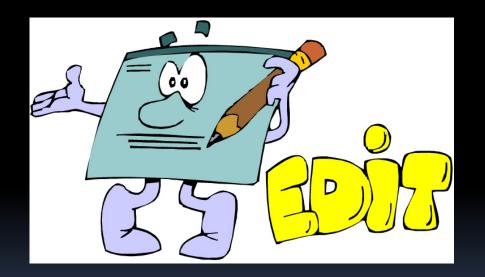
§ 11.107 - 112 (Conflicts)

- 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

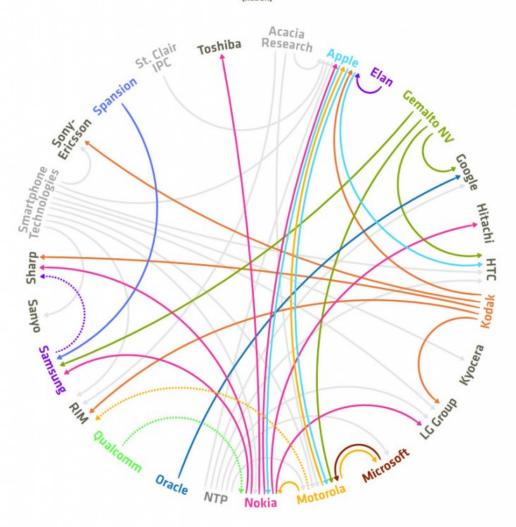
3 Contracting around Conflicts Rules

Ethics Rules

MR 1.2; 1.7, 1.9, 1.10
PTO Rules
California RPC 3-310

LAWSUITS IN THE MOBILE BUSINESS

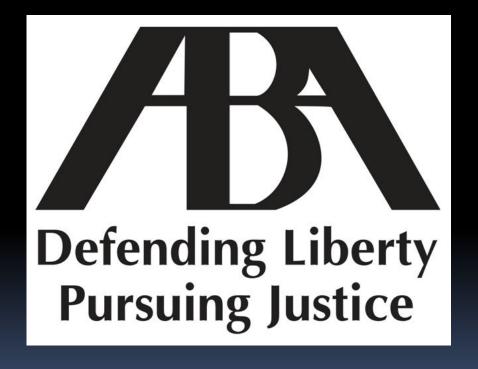
(REDUX)



- · 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





2013 US Dist LEXIS 24171; N.D. Tex. (2/21/2013)

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

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Macy's Inc. v. J.C. Penny Corp., 2013 NY Slip Op 04891 (App Div, 1st Dept June 27, 2013) [2013 BL 170689]

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

2011 US App LEXIS 19414 (Fed. Cir. 9/22/11)

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

2011 US Dist LEXIS 46237 (4/29/2011)

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. Applera
- Sumitomo Corp. v. J.P. Morgan & Co., Inc., 2000
 WL 145747 (S.D.N.Y. Feb. 8, 2000).
- GATX v. Evergreen, 8 F. Supp. 2d 1182 (N.D. Cal. 1998), vacated, 192 F.3d 1304 (9th Cir. 1999)
- Rembrandt v. Comcast, 2007 U.S. Dist. LEXIS 9027 (E.D. Tex. Feb. 8, 2007)

62 Hastings L.J. 677 (2011)

Rotunda Resolving Client Conflicts by Hiring "Conflicts Counsel"

3 Disqualification Cases

3(a) Prospective Clients



2013 US Dist LEXIS 38861; C.D. Cal. (3/20/13)

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



2012 Ill. App. LEXIS 933 (11/15/12)

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

Parallel Iron, LLC v. Adobe Systems Inc., 2013 WL 789207 at *1 (D. Del. March 4, 2013)

- 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"



Georgia (7/11/13)

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

 Law firm can assert internal ACP vs current client

Burns & Levinson LLP



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.



NO. C 11-04537-RS; N. D. Cal. (6/4/13)



Malico

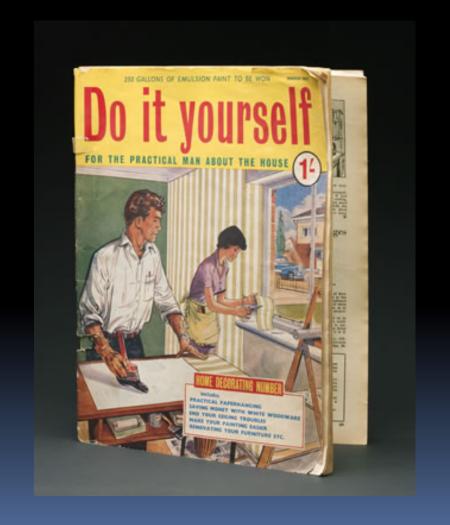
V.

Cooler Master

- Maintenance fees issue; not current client
- Former client, substantially related
- DQ granted

Ashley R. Presson, Patent Holding Patent Attorneys, 40 St. Mary's L.J. 1039 (2009)

Selfowned patents





876 F. Supp. 2d 1123 (2013)

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)



2013 US Dist LEXIS 49596 (E.D. Wisc.; 4/5/13)

Patriot Universal Holding [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?



2013 US Dist LEXIS 31583 (D. AZ.; 3/7/13)

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





Cascades Branding Innovation v. Walgreen Co 2012 US Dist LEXIS 61750 (N. D. Ill.; 5/3/12)

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

Secure Axcess v. Dell (2012 US Dist LEXIS 61152 (E. D. Tex.; 2/23/12)

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)[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 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

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