

ETHICAL CONSIDERATIONS FOR PATENT ATTORNEYS

Steven A. Nielsen, Registered Patent Attorney

Allman & Nielsen, P.C

100 Larkspur Landing Circle, Suite 212

Larkspur, California 94939

www.NielsenPatents.com

(415) 461 2700

Steve@NielsenPatents.com

The Big Picture

- ❖ Patent attorneys are bound by their local state bar rules and;
- ❖ Registered patent attorneys are bound by the Code of Conduct contained in Code of Federal Regulations Title 37.
- ❖ Invention promotion companies and many industrial designers run rampant and afoul of any legal or moral code of conduct.

Local State Bar Rules Apply

- ❖ As a registered patent attorney the local state bar rules include:
- ❖ A duty to maintain client secrets
- ❖ A duty to maintain a client trust account
- ❖ A duty to address actual and potential conflicts of interest

Title 37 Code of federal regulations

- ❖ Section 10.20 Patent and Trademark Office Code of Professional Responsibility – Canon and Disciplinary Rules:
- ❖ 10.20 (a) “Canons are statements of axiomatic norms, expressing in general terms the standards of the professional conduct expected of practitioners in their relationships with the public, with the legal system, and with the legal profession.”
- ❖ Section 10.20 (b)
“Disciplinary Rules are mandatory in character and state the minimum level of conduct below which no practitioner can fall without being subjected to disciplinary action.”
- ❖ Rock bottom rules, a guide for the minimum level.

Canons v. Rules

- ❖ The Canons are statements or instructions of what a practitioner “should do”
- ❖ The Disciplinary Rules are statements of what a practitioner “shall” do or not do
- ❖ Canons are almost entertaining to a busy practitioner. Remember the maxims of equity from law school?
- ❖ Canons are followed by corresponding and sobering Disciplinary Rules
- ❖ The Patent Rules may be found within the MPEP at Appendix R, Part 10
- ❖ The Canons provide a good summary of the concepts behind the Disciplinary Rules
- ❖ Canon 1. Section 10.21
“A practitioner should assist in maintaining the integrity and competence of the legal profession”
 - Take care of your own health
 - Tell the truth

Money – If you don’t do it right, the bar will find you

Bank A – Your general account or operating account

Money you have earned and can spend

Bank B – Your Client Trust account

Money you have collected and will hold until earned

Follow the Money

- ❖ Don’t delegate too much control over your bank accounts
- ❖ Most reported cases deal with money problems

❖ Canon 2

“ A practitioner should assist the legal profession in fulfilling its duty to make legal counsel available”

- Show up at work, return phone calls and email
- Duty to make legal counsel affordable?
- Send people to the local referral service of your county bar association

Canon 3

❖ “A practitioner should assist in preventing the unauthorized practice of law”

- Craig’s List Patent Butcher
- Local Patent “Helper”

❖ Section 10.47 Aiding unauthorized practice of law

- A practitioner shall not aid a non-practitioner or non-lawyer
- Invention promotion companies want to hire you

10.48 Sharing fees

- ❖ No cappers, no referral fees , no invention promotion companies
- ❖ No partnerships with non-practitioners

Unlike personal injury cases, very difficult to share work and fees

Canon 4 - Client Secrets

- ❖ “A practitioner should preserve the confidences and secrets of a client”
- ❖ In your mind change this to “shall”

Disciplinary Rule 10.57 Preservation of confidences and secrets of a client.

What is a “Confidence”?

- ❖ 10.57 (a) “ ‘Confidence’ refers to information protected by the attorney-client privilege under applicable law. ‘Secret’ refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would likely be detrimental to the client.”
 - General Rule, protect client information – Reasonable care to protect “confidences”

Reasonable Care in 2011

- ❖ Section 10.57 (d) requires a practitioner to exercise “reasonable care” to protect client confidences and secrets.
- ❖ “Reasonable Care” goes back to first year tort class.
- ❖ Cost v. Risk v. Benefit v. Common Practices v. New Technology v. hide the info v. lose the info v. find the info
- ❖ Need to live in 2011 not 1950

Reasonable Technology Required

- ❖ Reasonable minds will always differ on the standard of reasonable care as the tools and our work environment are constantly changing
- ❖ One possible approach for 2011:
 - Passwords for the computers
 - On line back-up of client files Dropbox and Carbonite
 - Employees and vendors sign agreements not to disclose

Reasonable Care and Reasonable Technology in 2013?

- ❖ We need to be thinking ahead
- ❖ Sometimes state of the art becomes reasonable care
- ❖ Office security - Janitors - Watergate Complex

❖ Possible Trend:

Webcams over the file cabinets

Locks on the file cabinets

Encryption on the hard drives

Password protect email attachments , Encryption of email – still difficult

Bad Use of Client Information

- ❖ Section 10.57 et seq. A practitioner may not use a confidence or secret of a client to the disadvantage of a client or to the advantage of the practitioner or of a third person.
 - Practitioner becoming a co-inventor. Not a good idea
 - Use the Socratic Method to pull out information from the inventor. If you see the issue, the inventor will see it if you ask the right questions. Story of patent agent in Canada

Canon 5 - Independent Professional Judgment

- ❖ Canon 5 “A practitioner should exercise independent professional judgment on behalf of a client” Change to Shall
- ❖ Section 10.62 A practitioner may not accept employment that may affect the practitioner’s own interests.
 - Mouse Patent Example with Patent Agent from Canada

Limiting Business Relationships with Clients

- ❖ Section 10.65
- ❖ Allowed after full disclosure and review by a separate attorney hired by the client.
- ❖ Best Practice, in contingency fee litigation have the client find separate counsel to review and approve the written agreement

Offers To Take a Percentage of Client Profits

- ❖ Many clients will attempt to lower their start-up costs by offering a percentage of future profits in lieu of cash fees
- ❖ Pleas to be “our hero”
- ❖ This invention will change the world
- ❖ With the proper disclosures, lengthy agreements, outside counsel approval, you may work for free and never get paid.

Think about 30% of Nothing

- ❖ If the invention is not worth the inventor’s personal money, is it worth your time?
- ❖ Do you want to keep tabs on this inventor ?
- ❖ Do you even want to talk to this inventor on an on ongoing basis?
- ❖ People don’t value what they get for free
- ❖ Just say no and take your kids to the library

Canon 6 - Competence

- ❖ Section 10.77 (c)

A practitioner shall not neglect a legal matter entrusted to the practitioner.

This is the biggest problem that I see when I inherit a file.

Files from a practitioner in Oregon. Files were in good shape, until the practitioner checked out. Failed to get his carcass to work.

Threatening Criminal Prosecution

- ❖ No.
- ❖ Section 10.88 “A practitioner shall not present, participate in presenting, or threaten to present criminal charges solely to obtain an advantage in any prospective or pending proceeding before the Office.
- ❖ This rule is also found in every state civil code.

Disclose Adverse Legal Authority

- ❖ There is a duty to disclose controlling legal authority known to the practitioner to be directly adverse to the position of the client and which is not disclosed by opposing counsel or an employee of the Office. Section 10.89
- ❖ Analogous to the duty to disclose known prior art in a pending patent application.

Everyday Issues

Perpetual Motion, these guys will call your office. About 1 every 2 years.

Inventions may be on paper, no working model required for sane inventions.

Invention does not have to be perfect, just better than landfill.

Inventor Conflicts

- ❖ Non signing inventor
- ❖ Not that difficult to deal with
- ❖ Mail the application to last known address
- ❖ Petition of why you think the address to be valid
- ❖ Ample time for uncooperative inventor to sign
- ❖ 4 or 5 month response time from the Office of Petitions

Inventors Part Ways

- ❖ Did you obtain a joint representation agreement?

Insane Inventors

- ❖ Get used to it

- ❖ Were the Wright Brothers a bit “touched” to think that they could win the race of powered flight? Weren’t the professional engineers going to win the race?
- ❖ Thomas Edison had to build a thousand light bulbs to get one that worked

The Pet Rock Issue

- ❖ Inventors want to know “[w]hat do you think of my invention?”
- ❖ Be kind and have the question rephrased to deal with patent issues
- ❖ If you could predict commercial success you would have been able to retire long ago.

Fee Agreements

- ❖ In California, where the charges for legal representation will likely exceed \$1,000 dollars, a written fee agreement is required.
- ❖ Provisional patent applications are fraught with danger with unreasonable expectations. The fee agreement is an excellent way to educate the client. May include, bold written warning of the one year expiration date, one year warning about PCT deadline, disclaim any opinion as to commercial success, disclaim your duty to search for prior art.

To Search or Not ?

- ❖ No duty to search for prior art
- ❖ But there is a duty to disclose relevant prior art in a non provisional patent application
- ❖ Fee agreement for a search should point out that patent applications may not surface or be published until 18 months after their priority date. Submarine problem. No guarantee that any search will be complete.

Patent Litigation

- ❖ Federal court has jurisdiction
- ❖ Special patent punishment re Rule 11 pre filing investigation
- ❖ Check patent ownership, USPTO assignment records, have you accounted for all inventors?
- ❖ Do the claims read upon the defendant's product?
- ❖ Duty to obtain a copy of the product if reasonable

Pre Litigation Claim Chart

- ❖ Map each claim element to a feature of the defendant's product
- ❖ Interpret the claims, what do the words in the claims really mean?
- ❖ For pre filing claim interpretation you may not rely upon your clients as claim terms, as litigation a Markman hearing are a question of law.
- ❖ Proposed order of claim term investigation, what does the client say?

Pre Litigation Markman Analysis

- ❖ How does the specification use the term?
- ❖ Does the notice of allowance with its Reasons for Allowance discuss any claim terms or limitations to the claimed invention?
- ❖ What concessions were made in the office actions regarding claim terms of the scope of the claimed invention. Comprising v. Consisting
- ❖ Was the subject patent discussed by the inventors in any subsequent patent applications or related office actions?

Ethics of Pre Litigation

- ❖ Offers of a license may trigger a dec relief action for non-infringement

- ❖ A suit for patent infringement may trigger a third party counter claim for false patent marking. A big craze right now. Damages \$500 dollars to fractions of a penny per item. A new cottage industry has arisen. Anyone may file and have standing. ½ of any judgment goes to the government. A good policy ?

Litigation Blowback

- ❖ Does your client mark items as “patented” ?
- ❖ Do another claim analysis
- ❖ In patent litigation, the patent itself is at risk for reexamination and/or a judgment of invalidity Is this in your fee agreement?
- ❖ Does your litigation fee agreement address the costs of patent reexamination before the USPTO ?

Litigation is a Patent Meat Grinder

- ❖ A defendant in a patent suit will have an opportunity to present new prior art to invalidate the patent
- ❖ A defendant will look for problems with the patent owner’s one year bar on sale issue
- ❖ Will the defendant find evidence that the product was offered for sale more than one year before the filing date?

OED Tales of Woe and Anguish

- ❖ One practitioner settled a malpractice suit and the settlement agreement prohibited the client from making a complaint to the OED.
- ❖ January 18, 2011 Proceeding No. 2010-19 a practitioner involved with invention promotion company International Product Design or IPD

Invention Promotion Company

- ❖ Failed to send an Affirmative Disclosure document to disclose three year history of the number of contracts v. the number of customers who received more money than they paid for services

- ❖ TV commercials
- ❖ Employees not engineers or people with any education or specialized training in the area of patents conducted reviews
- ❖ PTI charged \$1,300 for a patentability and commercial viability analysis. The evaluations were almost always positive and were not meaningful.
- ❖ High prices for patent services charged
- ❖ PTI found registered patent attorneys to do the work, that's where the problems start for unsuspecting patent practitioners
- ❖ PTI took in 61 million dollars from 17,000 consumers but could not identify one single successful consumer

Conflict of Interest

- ❖ Patent attorneys working for PTI could not exercise their independent professional judgment on behalf of the referred client. Five year suspension. I feel sorry for the duped patent attorney.
Disciplinary decisions regarding practitioners are

posted at the Office of Enrollment and Discipline's Reading Room electronically located at:

- ❖ <http://ides.uspto.gov/Foia/OEDReadingRoom.jsp>.

Money Problems

- ❖ Proceeding No. D2011 – 01 issued January 18, 2011
- ❖ A practitioner bounced 6 checks with the USPTO
- ❖ Checks sent for 6 different clients for 6 different applications
- ❖ From June 18, 2009 to Sept 2, 2009 checks were bounced for \$3,544
- ❖ Two year suspended suspension. Now has a trust account

23 Bad Checks

- ❖ Proceeding No. D2009-24 January 10, 2011
- ❖ Issued 23 bad checks

- ❖ Long history of excuses given to the OED, book keeper problems, Quick Book problems, did not see the need for a trust acct.
- ❖ Gist of the matter seems to be that no trust account was used
- ❖ 31 page report by the OED spells out each bad check and a tale of woe. He seemed to just be too busy.

Tax Fraud

- ❖ Matter D2011-05 Dec 22 2010
- ❖ A lawyer from Louisiana took a personal injury case in Nevada. He was not licensed in Nevada. He hired a Nevada lawyer to settle the case, paid the NV lawyer 40K and made 76K for himself.
- ❖ Failed to pay state or federal taxes on the money

Drug Fraud

- ❖ Proceeding No. D2009-40 Dec 2010
- ❖ Altered names on drug prescriptions
- ❖ Convicted of two counts of prescription fraud

2K in Bounced Checks to the USPTO

- ❖ Proceeding D2010-39 Oct. 26, 2010
- ❖ Changed banks and EFS transfers bounced
- ❖ Name ruined over 2K
- ❖ We all need to slow down and think

Appendix R Patent Rules

UNITED STATES PATENT AND TRADEMARK OFFICE, DEPARTMENT OF COMMERCE

<http://www.uspto.gov/web/offices/pac/mpep/documents/appxr.htm#appxr>

PART 10 — REPRESENTATION OF OTHERS BEFORE THE PATENT AND TRADEMARK OFFICE

§ 10.20 Canons and Disciplinary Rules.

§ 10.21 Canon 1.

§ 10.22 Maintaining integrity and competence of the legal profession.

§ 10.23 Misconduct.

§ 10.24 Disclosure of information to authorities.

§ 10.30 Canon 2.

§ 10.31 Communications concerning a practitioner's services.

§ 10.32 Advertising.

§ 10.33 Direct contact with prospective clients.

§ 10.34 Communication of fields of practice.

§ 10.35 Firm names and letterheads.

§ 10.36 Fees for legal services.

§ 10.37 Division of fees among practitioners.

§ 10.38 Agreements restricting the practice of a practitioner.

§ 10.39 Acceptance of employment.

§ 10.40 Withdrawal from employment.

§ 10.41 - 10.45 [Reserved]

§ 10.46 Canon 3.

§ 10.47 Aiding unauthorized practice of law.

§ 10.48 Sharing legal fees.

§ 10.49 Forming a partnership with a non-practitioner.

§ 10.50 - 10.55 [Reserved]

§ 10.56 Canon 4.

§ 10.57 Preservation of confidences and secrets of a client.

§ 10.58 - 10.60 [Reserved]

§ 10.61 Canon 5.

§ 10.62 Refusing employment when the interest of the practitioner may impair the practitioner's independent professional judgment.

§ 10.63 Withdrawal when the practitioner becomes a witness.

§ 10.64 Avoiding acquisition of interest in litigation or proceeding before the Office.

§ 10.65 Limiting business relations with a client.

§ 10.66 Refusing to accept or continue employment if the interests of another client may impair the independent professional judgment of the practitioner.

§ 10.67 Settling similar claims of clients.

§ 10.68 Avoiding influence by others than the client.

§ 10.69 - 10.75 [Reserved]

§ 10.76 Canon 6.

§ 10.77 Failing to act competently.

§ 10.78 Limiting liability to client.

§ 10.79 - 10.82 [Reserved]

§ 10.83 Canon 7.

§ 10.84 Representing a client zealously.

§ 10.85 Representing a client within the bounds of the law.

§ 10.86 [Reserved]

§ 10.87 Communicating with one of adverse interest.

§ 10.88 Threatening criminal prosecution.

§ 10.89 Conduct in proceedings.

§ 10.90 - 10.91 [Reserved]

§ 10.92 Contact with witnesses.

§ 10.93 Contact with officials.

§ 10.94 - 10.99 [Reserved]

§ 10.100 Canon 8.

§ 10.101 Action as a public official.

§ 10.102 Statements concerning officials.

§ 10.103 Practitioner candidate for judicial office.

§ 10.104 - 10.109 [Reserved]

§ 10.110 Canon 9.

§ 10.111 Avoiding even the appearance of impropriety.

§ 10.112 Preserving identity of funds and property of client.

§ 10.113 - 10.170 [Reserved]

Office of General Counsel

<http://www.commerce.gov/os/ogc/ethics-law-and-programs-division>

The Ethics Law and Programs Division of the Office of the Assistant General Counsel for Administration

This branch provides advice to Department of Commerce employees regarding the Executive Branch ethics rules and restrictions.

Office Description Advisory Services

The Ethics Law and Programs Division staff provides guidance on issues including financial and non-financial conflicts of interest, outside activities including political activities, gifts, and post-employment restrictions. To ensure that advisory services are readily available, an attorney is assigned each day to answer telephone questions and e-mail inquiries.

USPTO Office of Enrollment and Discipline (OED)

<http://www.uspto.gov/ip/boards/oed/>

Office of Enrollment and Discipline

<http://www.uspto.gov/about/offices/ogc/oed.jsp>

The disciplinary system is designed to protect the public, not punish practitioners. The Office has the power to discipline practitioners, but only after a full hearing with the presentation of clear and convincing evidence concerning the misconduct. Depending on the seriousness of the offense, a practitioner can be given a warning, reprimanded, suspended from practicing law before the Office for a period of time, or excluded (i.e., disbarred) - prohibited from practicing law before the Office. Discipline can be imposed pursuant to a settlement that is accepted by the Director of the United States Patent and Trademark Office, or after a full hearing with the presentation of clear and convincing evidence concerning the misconduct.

Subject to the provisions of the Freedom of Information Act and the Privacy Act, the USPTO cannot disclose the existence or non-existence of an investigation and any information gathered unless made a matter of public record in proceedings brought before the Director of the USPTO or in the courts. Information available to and for the protection of the public is on our OED Final Decisions web page within the FOIA Reading Room.

If you have any questions, please feel free to contact me.

Steven A. Nielsen Registered Patent Attorney

Steve@NieslenPatents.com

Allman & Nielsen, P.C.

100 Larkspur Landing Circle, Suite 212
Larkspur, CA 94939

415 461 2700 x 203

www.NielsenPatents.com