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ETHICS FOR PATENT PRACTITIONERS

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An Ambitious 30 Minute Agenda

1. Just good advice, period!
2. For goodness sakes, don't mess with Texas!
3. The OED ethics process.
4. Mitigating circumstances.
5. Recent cases and decisions.
6. Who is the client?
7. Conflicts of interest
8. USPTO Ethics vs. ABA Model Rules
9. Changes to Representation of Others Before the USPTO (May 26, 2021).

"We're getting back to first principles ... which means we're going to have some."

We're Going to Find Some courtesy of Deposit Photos, an IPWatchdog partner
https://depositphotos.com/21428281/stock-photo-were-going-to-find-some.html

How to Avoid Ethical Traps

Remember what we were taught in law school…

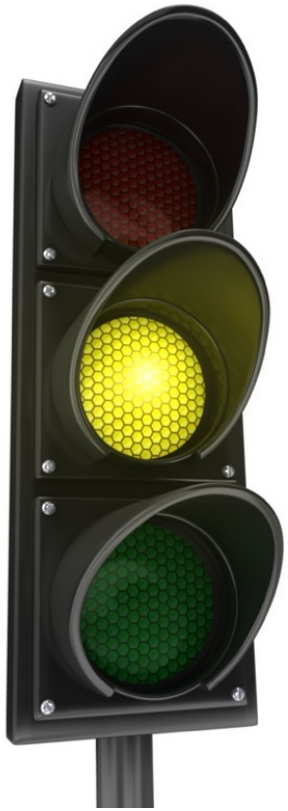
- Don't lie
- Don't steal
- Don't cheat
- Don't sleep with your clients *
- Keep a client trust account for unearned fees!

We should add…

- Don't give clients a reason to even suspect legal malpractice.
- Don't get sanctioned by a Court or Tribunal.
- Don't commit a crime (probably redundant but needs saying).
- Avoid conflicts of interest.
- Don't be stupid!

* *Usually not a problem for patent practitioners, but potentially NOT an ethical violation at USPTO.*

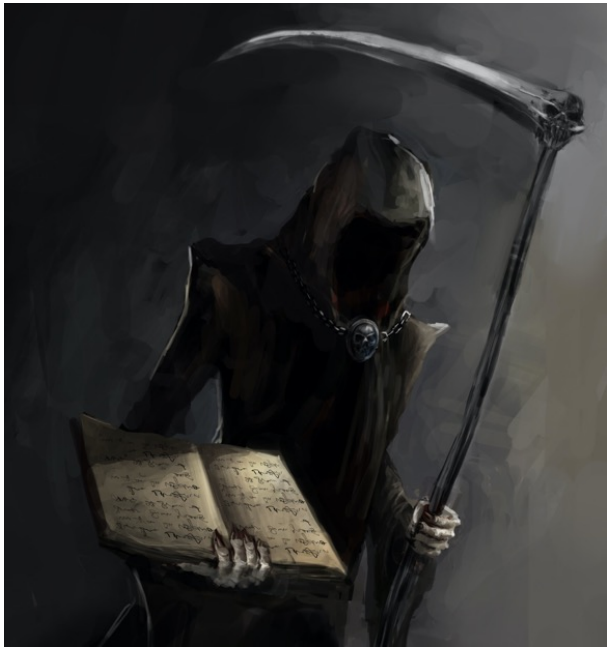
Malpractice Mistakes



When you make mistakes your clients get unhappy clients and when clients get unhappy they sometimes complain and when unhappy clients sometimes complain they contact the Ethics Police and when unhappy clients contact the Ethics Police your life gets more complicated. Don't let your life get more complicated. Don't make mistakes!

"Death Penalty" from Judge Albright

Performance Chemical Co. v. True Chemical Solutions, LLC, W-21-CV-00222-ADA (WDTX, May 20, 2021)
http://www.ipwatchdog.com/wp-content/uploads/2021/06/WDTX-sanctions-order.pdf



Grim Reaper courtesy of Deposit Photos, an IPWatchdog partner
https://depositphotos.com/39030515/stock-photo-grim-reaper.html

"PCC asks the Court to enter default judgment sanctions, also known as "death penalty sanctions." *See* Reply, ECF No. 326, at 2. The Court has already found that True Chem acted in bad faith by refusing to comply with a discovery order. In order to issue death penalty sanctions, the Court must also find (1) that the violation of the discovery order be attributable to the client instead of the attorney; (2) that the violating party's misconduct must cause substantial prejudice to the opposing party; and (3) that less drastic sanctions would not be appropriate. *Conner*, 20 F.3d at 1380–81."

"Death Penalty" from Judge Albright

Performance Chemical Co. v. True Chemical Solutions, LLC, W-21-CV-00222-ADA (WDTX, May 20, 2021_
http://www.ipwatchdog.com/wp-content/uploads/2021/06/WDTX-sanctions-order.pdf

- Key issue: Were True Chem's frac trailers automated using a programmable logic controller.
- PCC requested its expert be allowed to inspect a True Chem frac trailer, which True Chem resisted.
- PCC expressed concerns that True Chem would present an incomplete trailer for inspection.
- Defendant produced trailers for inspection. No PLC automation device was found.
- 154 days *after the close of discovery* True Chem produced more than 50,000 new documents, which contained information showing 3rd parties had been retained to automate its frac trailers.
- Depositions of the 3rd party automation companies confirmed True Chem them to install a PLC on frac trailers and they were still mounted the last time they interacted with the trailer in 2019.
- Given the physical size of the PLC device in question, unbolting and removing it from a trailer so that it would not be available for the Court-ordered inspection by PCC would require considerable effort.
- True Chem violated the Court's discovery in bad faith while demonstrating a clear record of contumacious conduct and delay.
- True Chem's non-infringement defense and invalidity counterclaims STRICKEN.
- Court finds that True Chem has willfully infringed.
- True Chem be PERMANENTLY ENJOINED from continuing its infringing activity.
- PCC be awarded attorneys' fees.

Ethics Rules 2012

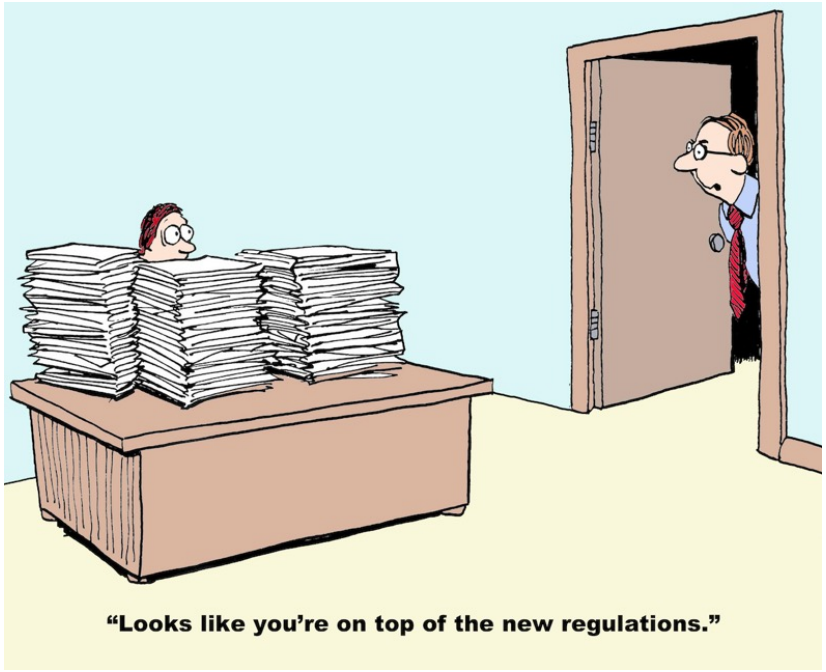
http://www.ipwatchdog.com/2012/07/30/uspto-issues-final-rules-of-discipline-for-patent-practitioners/id=26952/

- AIA = 10-year statute of limitations
- A complaint must be filed within 1 year from when the OED Director receives a grievance forming the basis of the complaint
- The USPTO and Practitioner may agree to tolling 1 year period to attempt to negotiate resolution.

Enforce the Rules courtesy of Deposit Photos, an IPWatchdog partner
https://depositphotos.com/31449259/stock-photo-enforce-the-rules.html

Rules of Professional Conduct 2013

http://ipwatchdog.com/blog/FINAL-representation-of-others.pdf



New Regulations courtesy of Deposit Photos, an IPWatchdog partner
https://depositphotos.com/86097514/stock-photo-new-regulations.html

The USPTO adopted new Rules of Professional Conduct, which are based on the ABA Model Rules, which were published in 1983, substantially revised in 2003 and updated through 2012. The Office also revised the existing procedural rules governing disciplinary investigations and proceedings. These changes provide practitioners with substantially uniform disciplinary rules across multiple jurisdictions.

OED Process on Discipline

Avenues OED can follow to hand out discipline:

1. **Interim suspension under 11.25.** Practitioner who commits a serious crime can be suspended immediately on an interim basis.

2. **Reciprocal Discipline.**
   If the practitioner has been disciplined previously by a State Bar or Court, OED processes are streamlined.

3. **OED Initiated Discipline.**
   If process has not previously been given, OED follows a path that leads to a hearing before an Administrative Law Judge pursuant to an Interagency Agreement with the USPTO.

In re WWP (2016)

ALJ concluded WWP violated 3 ethics rules and ordered WWP suspended from practice for 18 months. WWP appealed.

Illinois Supreme Court suspended Park for 1 year for various acts involving dishonesty/fraud/deceit. The suspension expired on April 5, 2014, and he is now a member in good standing in Illinois.

OED initiated an investigation and review and instead of proceeding under the reciprocal disciplinary provisions of Rule 11.24, proceeded directly against WWP.

RULING: 11.24 unambiguously limits OED to pursuing reciprocal discipline upon learning of discipline in another jurisdiction.

Reciprocal Discipline

Selling v. Radford, 243 U.S. 46 (1917), sets the standards for imposing reciprocal discipline on the basis of a State's disciplinary adjudication. Under Selling, State disciplinary action creates a federal-level presumption that imposition of reciprocal discipline is proper unless an independent review of the record reveals: (1) lack of due process, (2) an infirmity of proof of the misconduct, or (3) that grave injustice would result from the imposition of reciprocal discipline. The standard the responding attorney must meet is one of clear of convincing evidence that the *Selling* factors preclude reciprocal discipline.

Mitigating Circumstances (ABA)

Factors which may be considered in mitigation. Mitigating factors include:

(a) absence of a prior disciplinary record;
(b) absence of a dishonest or selfish motive;
(c) personal or emotional problems;
(d) timely good faith effort to make restitution or to rectify consequences…
(e) full and free disclosure to disciplinary board or cooperative attitude…
(f) inexperience in the practice of law;
(g) character or reputation;
(h) physical disability;
(i) mental disability or chemical dependency (i.e., alcohol or drug abuse)
(j) delay in disciplinary proceedings.
(k) imposition of other penalties or sanctions;
(i) remorse;
(m) remoteness of prior offenses.

Mitigating Circumstances (GQ)

- No prior disciplinary record
- Fully cooperate with the investigation
- Recognize the gravity of the charges
- ***If you did it*** accept responsibility and acknowledge actions
- ***If you did it*** voluntarily take remedial measures to make sure this situation never happens again (i.e., docketing system, education, hiring a bookkeeper, etc.)
  - Even if you did NOT do it, take the opportunity to self reflect and see if there are ways to improve what you are doing (i.e., docketing, client communication, etc.)
- Pro bono service and service to the community

Nunc pro tunc (i.e., Retroactively)

The effective date of any public censure, public reprimand, probation, suspension, disbarment or disciplinary disqualification imposed *nunc pro tunc* shall be the date the practitioner voluntarily ceased all activities related to practice before the Office and complied with all provisions of §11.58.

Reciprocal Discipline Imposed 11.24(d)

[T]he USPTO Director **shall consider** any timely filed response and **shall impose the identical** public censure, public reprimand, probation, disbarment, suspension or disciplinary disqualification **unless the practitioner clearly and convincingly demonstrates**, and the USPTO Director finds there is a genuine issue of material fact that:

i. The procedure elsewhere was so **lacking in notice** or opportunity to be heard as to constitute a deprivation of due process;

ii. There was such **infirmity of proof** establishing the conduct as to give rise to the clear conviction that the Office could not, consistently with its duty, accept as final the conclusion on that subject;

iii. The imposition of the same public censure, public reprimand, probation, disbarment, suspension or disciplinary disqualification by the Office would result in **grave injustice**; or

iv. Any argument that the practitioner was not publicly censured, publicly reprimanded, placed on probation, disbarred, suspended or disciplinarily disqualified.

In re TTA (Jan. 2023)

Respondent invoiced Client for patent maintenance on three U.S. patents and a Canadian patent. Upon receipt, he deposited these monies into an operating account that contained his own funds. He did not remit the maintenance fees and the patents each went expired. After inquiry by the Client, Respondent said he would review and report back. He stopped communicating with the client altogether. Respondent did not tell Client the patents were expired due to his failure to remit payment. Further, Respondent did not refund any of the money paid.

11.102(a) violated by not following the decisions of the client and not communicating with client.

11.103 violated for failing to act diligently and promptly to pay the required maintenance fees.

11.104(a)(3) violated for failing to reasonably inform the Client about the expiration of the patents.

11.115(a) and 11.115(c) violated for failing to hold Client funds in a separate client trust account.

11.115(d) violated by failing to remit maintenance fees and by retaining unearned fees.

11.1116(d) violated by failing to notify Client of termination of representation.

In re TTA (Jan. 2023)

Respondent acted intentionally and caused actual injury through his misconduct.

Respondent's misconduct was aggravated, though mitigating factors were also present.

"I do believe that it is appropriate that justice be tempered with mercy in this case. The tragedies that befell respondent in 2015 present a compelling mitigating factor. In addition to the grief that must naturally have attended the loss of his wife and mother in quick succession, it is reasonable to infer that his wife's terminal cancer prevented her from properly managing Respondent's business affairs."

Respondent acted with a dishonest and selfish motive by keeping his client's money.

Respondent engaged in multiple offenses, having admitted to seven violations of the Rules.

Respondent had substantial experience with the law at the time of the offenses.

Respondent was indifferent to making restitution because he failed to refund Client.

SUSPENDED 2 YEARS, with PROBATION for two years upon reinstatement.

In re ZRH (Feb. 2023)

On December 22, 2020, ZRH told clients he would file the nonprovisional application ASAP.

On April 26, 2021, ZHR falsely told clients he filed a nonprovisional application months earlier, when in fact he had not filed the application at all. On June 1, July 5 and July 9, clients asked for a copy of the nonprovisional application filed. On July 27, ZHR filed a nonprovisional patent application, which included a Certificate of Micro Entity Status. On July 27, ZHR sent a copy of the application to the clients, not telling them he had just filed it. On August 10, 2021, USPTO mailed ZHR a filing receipt showing the filing date of July 27, 2021, which was not provided to the clients. In October 2021, clients first learn (from the USPTO) the application was not filed in Dec. 2020. A Notice of Allowance was issued February 7, 2023, and the Issue Fee paid February 16, 2023.

Very similar facts relating to another client, but this time the client believing the application was filed began to market his invention to potential investors. Months later, after repeatedly asking for the patent application number, client called the USPTO who could not locate the application– because it had yet to be filed. Several days later it was filed, but no filing receipt was ever provided.

In re ZRH (Feb. 2023)

MITIGATING: ZHR never previously subject to discipline, ZHR acknowledged wrongfulness of misconduct and expressed remorse, ZHR improved law practice management with upgraded case management software, attending CLE seminars and automated workflows to calendars.

11.103 violated by failing to act with reasonable diligence and promptness.

11.104(a)(3) violated for failing to keep clients reasonably informed.

11.104(a)(4) violated for failing to promptly comply w/ reasonable requests for information from clients.

11.804(c) violated for engaging in conduct involving dishonesty, fraud, deceit or misrepresentation.

SUSPENDED for 9 months, granted limited recognition for 30 days to conclude work on behalf of clients.

PROBATION for 18 months thereafter (with conditions for reinstatement)

Micro Entity Status: 37 CFR 1.29(a)

1. The applicant qualifies as a small entity.

2. **Neither the applicant nor the inventor nor a joint inventor has been named as the inventor or a joint inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications, or international applications for which the basic national fee was not paid;**

3. Neither the applicant nor the inventor nor a joint inventor, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income exceeding three times the median household income for that preceding calendar year; and

4. Neither the applicant nor the inventor nor a joint inventor has assigned, granted, or conveyed, nor is under an obligation to assign, grant, or convey, a license or other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income exceeding three times the median household income for that preceding calendar year.

Micro Entity Status

37 CFR 1.29(h):

Prior to submitting a certification of entitlement to micro entity status in an application, including a related, continuing, or reissue application, a determination of such entitlement should be made pursuant to the requirements of this section. It should be determined that each applicant qualifies for micro entity status under paragraph (a) or (d) of this section, and that any other party holding rights in the invention qualifies for small entity status under § 1.27. The Office will generally not question certification of entitlement to micro entity status that is made in accordance with the requirements of this section.

In re RC (Jan. 2023)

Reprimanded for violating 11.103 (failing to act with reasonable diligence in representing a client) and 11.804(d) (engaging in conduct that is prejudicial to the administration of justice).

Reprimand predicated on submitting Certifications of Micro Entity Status in applications where the filing limit was exceeded by the applicant. *See* 37 CFR 1.29(a)(2).

The USPTO notified RC of numerous apparent errors where the micro entity application filing limite appeared to be exceeded. RC said a reasonable inquiry could not be performed prior to presentation of the applications to the USPTO due, in large part, to his firm's insufficient docketing system, non-native language limitations when communicating with the applicant or the applicant's intent to deceive RC.

Mitigating Circumstances: (1) never been subject of professional discipline; (2) acknowledged his lapses and showed genuine contrition and accepted responsibility; (3) fully cooperated with OED's investigation; (4) **took *sua sponte* corrective action, including timely changing entity status and paying the deficiency in fee on all applications**; (5) adopted measures prevent this from happening again.

In re JL (April 2023)

Reprimanded for violating 11.103 (failing to act with reasonable diligence in representing a client) and 11.804(d) (engaging in conduct that is prejudicial to the administration of justice).

Reprimand predicated on submitting Certifications of Micro Entity Status in applications where the filing limit was exceeded by the applicant. *See* 37 CFR 1.29(a)(2).

USPTO notified JL of 29 errors where micro entity application filing limits appeared to be exceeded. JL explained a reasonable inquiry could not be always performed due to short comings in the then existing docketing system and acknowledged that he did not always conduct a reasonable inquiry as required by 11.18 prior to filing certifications for micro entity status.

MITIGATING: (1) never been subject of professional discipline; (2) acknowledged his lapses and showed genuine contrition and accepted responsibility; (3) fully cooperated with OED's investigation; (4) took *sua sponte* corrective action, including timely changing entity status and paying the deficiency in fee on all applications; (5) prior to OED's investigation, JL adopted additional measures to prevent this from happening again, including the adoption of a new docket management system; and **(6) JL has been an active participate in providing pro bono legal services to his community (including under-resourced inventors) amounting to approximately 80 hours per year.**

In re QW (April 2023)

Reprimanded for violating 11.103 (failing to act with reasonable diligence in representing a client) and 11.804(d) (engaging in conduct that is prejudicial to the administration of justice).

Reprimand predicated on submitting Certifications of Micro Entity Status in applications where the filing limit was exceeded by the applicant. *See* 37 CFR 1.29(a)(2).

On February 27, 2021, QW presented to the USPTO 9 micro entity certifications that she had signed for the same patent client– presenting those 9 micro entity forms within an approximate 70-minute time period. In response to notices, QW changed the applicant's entity status and paid the deficient amount.

MITIGATING: (1) never been subject of professional discipline; (2) acknowledged his lapses and showed genuine contrition and accepted responsibility; (3) fully cooperated with OED's investigation **including engaging in a personal interview**; (4) took corrective action to prevent recurrence of erroneous micro entity declarations including: (a) creating a docketing system to keep track of Chinese characters and Romanized characters, (b) creating customized micro entity declaration forms for inventors to personally sign, (c) traveling to China to meet clients in person, and **(d) joining the AIPLA and applying to is Mentorship Program.**

In re TYM (April 2023)

Reprimanded for violating 11.103 (failing to act with reasonable diligence in representing a client) and 11.804(d) (engaging in conduct that is prejudicial to the administration of justice).

Reprimand predicated on submitting Certifications of Micro Entity Status in applications where the filing limit was exceeded by the applicant. *See* 37 CFR 1.29(a)(2).

TYM explained that she had relied upon the respective representations of each applicant and each applicant's foreign associate to form the basis of her certifications. Moreover, her prior procedures did not include the verification of client assertions that she now receives.

MITIGATING: (1) never been subject of professional discipline; (2) acknowledged his lapses and showed genuine contrition and accepted responsibility; (3) fully cooperated with OED's investigation and **provided *sua sponte* informative, supplemental responses to her original response to the request for information**; (4) took *sua sponte* corrective action to endeavor to comply with her professional responsibilities; and (5) has worked with her law firm to retroactively review prior filings and adopt measured intended to prevent recurrence of these violations, including **verifying and auditing assertions by foreign associates and applicants from China.**

Unauthorized Practice by Out-of-State In-House Attorneys

When an attorney accepts a job as an in-house counsel, the potential for problems associated with the unauthorized practice of law similarly present themselves. Different states have different regulations and procedures that must be followed when an out-of-state attorney relocates to become in-house counsel. Although in-house counsel should always consult the rules and regulations of the state where their employer is located, **a common thread** in these rules and regulations is that the in-house lawyer **must be a full-time employee** and may **only provide legal services for the employer** (including parent, affiliate and subsidiaries). However, in-house attorneys with out-of-state registrations are frequently **allowed, often even encouraged, to provide *pro bono* representation** through recognized legal aid organizations.

Who is the Client?

§11.113 Organization as client.

(a) A practitioner employed or retained by an organization represents the organization acting through its duly authorized constituents.

(b) If a practitioner for an organization knows that an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization, and that is likely to result in substantial injury to the organization, then the practitioner shall proceed as is reasonably necessary in the best interest of the organization. Unless the practitioner reasonably believes that it is not necessary in the best interest of the organization to do so, the practitioner shall refer the matter to higher authority in the organization, including, if warranted by the circumstances, to the highest authority that can act on behalf of the organization as determined by applicable law.

(c) Except as provided in paragraph (d) of this section, if

(1) Despite the practitioner's efforts in accordance with paragraph (b) of this section the highest authority that can act on behalf of the organization insists upon or fails to address in a timely and appropriate manner an action, or a refusal to act, that is clearly a violation of law, and

(2) The practitioner reasonably believes that the violation is reasonably certain to result in substantial injury to the organization, then the practitioner may reveal information relating to the representation whether or not §11.106 permits such disclosure, but only if and to the extent the practitioner reasonably believes necessary to prevent substantial injury to the organization.

What if an employee tells you something adverse to the employer?

May breach confidentiality if reasonable belief necessary to prevent substantial injury to employer.

Rule 1.13: Organization as Client

(a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.

(b) If a lawyer for an organization knows that an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization, and that is likely to result in substantial injury to the organization, then the lawyer shall proceed as is reasonably necessary in the best interest of the organization. Unless the lawyer reasonably believes that it is not necessary in the best interest of the organization to do so, the lawyer shall refer the matter to higher authority in the organization, including, if warranted by the circumstances to the highest authority that can act on behalf of the organization as determined by applicable law.

(c) Except as provided in paragraph (d), if

(1) despite the lawyer's efforts in accordance with paragraph (b) the highest authority that can act on behalf of the organization insists upon or fails to address in a timely and appropriate manner an action, or a refusal to act, that is clearly a violation of law, and

(2) the lawyer reasonably believes that the violation is reasonably certain to result in substantial injury to the organization, then the lawyer may reveal information relating to the representation whether or not Rule 1.6 permits such disclosure, but only if and to the extent the lawyer reasonably believes necessary to prevent substantial injury to the organization.

ABA Model Rule

The employer is your client, NOT the employees!

What if an employee tells you something adverse to the employer?

May breach confidentiality if lawyer reasonably believes necessary to prevent substantial injury to employer. Does not apply if hired to represent based on violation of law.

Who is the Client?

(f) In dealing with an organization's directors, officers, employees, members, shareholders, or other constituents, a practitioner shall explain the identity of the client when the practitioner knows or reasonably should know that the organization's interests are adverse to those of the constituents with whom the practitioner is dealing.

(g) A practitioner representing an organization may also represent any of its directors, officers, employees, members, shareholders or other constituents, subject to the provisions of §11.107. If the organization's consent to the dual representation is required by §11.107, 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.

Explain the identity of the client.

May represent individual directors, officers, employees, shareholders or other constituents.

Who is the Client?

Rule 1.13: Organization as Client

(f) In dealing with an organization's directors, officers, employees, members, shareholders or other constituents, a lawyer shall explain the identity of the client when the lawyer knows or reasonably should know that the organization's interests are adverse to those of the constituents with whom the lawyer is dealing.

Explain the identity of the client.

(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.

May represent individual directors, officers, employees, shareholders or other constituents.

37 CFR 11.107 Conflicts; Current Clients

A practitioner shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

1. The representation of one client will be directly averse to another client; or
2. There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person or by a personal interest of the practitioner.

Notwithstanding, a practitioner may represent a client if:

1. The practitioner reasonably believes competent and diligent representation can be provided to each affected client;
2. The representation is not prohibited by law;
3. The representation does not involve the assertion of a claim by one client against another client; and
4. Each affected client gives informed consent, confirmed in writing.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner shall not enter into a business transaction with a client or knowingly acquire an ownership, possessory, security or other pecuniary interest adverse to a client unless:

1) The transaction and terms on which the practitioner acquires the interest are **fair and reasonable to the client** and are fully disclosed and transmitted in writing in a manner that can be reasonably understood by the client;

2) The client is **advised in writing** of the desirability of seeking and is given a reasonable opportunity to seek the advice of independent legal counsel in the transaction; and

3) The client gives **informed consent, in a writing** signed by the client, to the essential terms of the transaction and the practitioner's role in the transaction, including whether the practitioner is representing the client in the transaction.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner shall not use information relating to representation of a client to the **disadvantage of the client** unless the client gives informed consent, except as permitted or required by the USPTO Rules of Professional Conduct.

- A practitioner **shall not solicit any substantial gift** from a client, including a testamentary gift, or prepare on behalf of a client an instrument giving the practitioner or a person related to the practitioner any substantial gift unless the practitioner or other recipient of the gift is related to the client. For purposes of this paragraph, related persons include a spouse, child, grandchild, parent, grandparent or other relative or individual with whom the practitioner or the client maintains a close, familial relationship.

- Prior to the conclusion of representation of a client, a practitioner shall not make or negotiate an agreement giving the practitioner **literary or media rights** to a portrayal or account based in substantial part on information relating to the representation.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner **shall not provide financial assistance** to a client in connection with pending or contemplated litigation or a proceeding before the Office, except that:

1) A practitioner **may advance court costs and expenses** of litigation, the repayment of which may be contingent on the outcome of the matter;

2) A practitioner representing an **indigent client** may pay court costs and expenses of litigation or a proceeding before the Office on behalf of the client;

3) A practitioner may advance costs and expenses in connection with a proceeding before the Office **provided the client remains ultimately liable** for such costs and expenses; and

4) A practitioner may also advance any fee required **to prevent or remedy an abandonment** of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable for such fee.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner shall not accept **compensation for representing a client from one other than the client** unless:

  1) The client gives informed consent;

  2) There is no interference with the practitioner's independence of professional judgment or with the client-practitioner relationship; and

  3) Information relating to representation of a client is protected as required by §11.106.

- A practitioner who represents two or more clients shall not participate in making an **aggregate settlement** of the claims of or against the clients, unless each client gives informed consent, in a writing signed by the client. The practitioner's disclosure shall include the existence and nature of all the claims involved and of the participation of each person in the settlement.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner shall not:

  1) Make an agreement prospectively **limiting liability to a client for malpractice** unless the client is independently represented in making the agreement; or

  2) Settle a claim or potential claim for such liability with an unrepresented client or former client unless that person is advised in writing of the desirability of seeking and is given a reasonable opportunity to seek the advice of independent legal counsel in connection therewith.

37 CFR 11.108 Conflicts; Specific Rules

- A practitioner shall **not acquire a proprietary interest in the cause of action**, subject matter of litigation, or a proceeding before the Office which the practitioner is conducting for a client, except that the practitioner may:

  1) Acquire a lien authorized by law to secure the practitioner's fee or expenses;

  2) Contract with a client for a reasonable contingent fee in a civil case; and

  3) In a patent case or a proceeding before the Office, take an interest in the patent or patent application as part or all of his or her fee.

- While practitioners are associated in a firm, a prohibition of this section that applies to any one of them shall apply to all of them.

37 CFR 11.109 Duties to former clients

a) A practitioner who has formerly represented a client in a matter shall not thereafter represent another person in the **same or a substantially related matter** in which that person's **interests are materially averse** to the interests of the former client **unless the former client gives informed consent, confirmed in writing**.

b) A practitioner shall not knowingly represent a person in the same or a substantially related matter in which a firm with which the practitioner formerly was associated had previously represented a client:

1) Whose interests are materially averse to that person; and

2) About whom the practitioner had **acquired information protected by §§11.106 and 11.109(c) that is material to the matter**; unless the former client gives informed consent, confirmed in writing.

37 CFR 11.109 Duties to former clients

c) A practitioner who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter shall not thereafter:

1) Use information relating to the representation to the **disadvantage of the former client** except as the USPTO Rules of Professional Conduct would permit or require with respect to a client, or when the information has become generally known; or

2) **Reveal information relating to the representation** except as the USPTO Rules of Professional Conduct would permit or require with respect to a client.

37 CFR 11.110 Imputation of conflicts

(a) While practitioners 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, **unless**:

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

2) The prohibition is based upon §11.109(a) or (b), and arises out of the disqualified practitioner's association with a prior firm, and

   i. The disqualified practitioner is **timely screened** from any participation in the matter and is apportioned no part of the fee therefrom; and

   ii. Written notice is promptly given to any affected former client to enable the former client to ascertain compliance with the provisions of this section, which shall include a description of the screening procedures employed + more.

37 CFR 11.110 Imputation of conflicts

(b) When a **practitioner has terminated** an association with a firm, the firm is **not prohibited from thereafter representing** a person with interests materially adverse to those of a client represented by the formerly associated practitioner and not currently represented by the firm, **unless**:

1) The matter is the same or substantially related to that in which the formerly associated practitioner represented the client; and

2) Any practitioner remaining in the firm has information protected by §§11.106 and 11.109(c) that is material to the matter.

(c) A disqualification prescribed by this section may be waived by the affected client under the conditions stated in §11.107.

(d) The disqualification of practitioners associated in a firm with former or current Federal Government lawyers is governed by §11.111.

USPTO Ethics Rules: Highlights

- Part 10 was removed and reserved.

- The definition of ***fraud*** **or** ***fraudulent*** used in the ABA Model Rules was not adopted. Instead, the Office believed a uniform definition of fraud based on **common law should apply** to all individuals subject to the USPTO Rules. *See Unitherm Food Systems, Inc.* v. *Swift- Ekrich, Inc.,* 375 F.3d 1341, 1358 (Fed. Cir. 2004); *In re Spalding Sports Worldwide, Inc.,* 203 F.3d 800, 807 (Fed. Cir. 2000).

ABA Model Rule on Fraud

Rule 1.0: Terminology

Client-Lawyer Relationship

(d) "Fraud" or "fraudulent" denotes conduct that is fraudulent under the substantive or procedural law of the applicable jurisdiction and has a purpose to deceive.

Common Law Fraud

In discussing *Walker Process* fraud (i.e., an antitrust claim that can be brought when a patent is procured through intentional fraud), the Federal Circuit explained in *Unitherm Food Systems:*

"[T]he elements of common law fraud include: (1) a representation of a material fact, (2) the falsity of that representation, (3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and (5) injury to the party deceived as a result of his reliance on the misrepresentation."

CFR on Fraud

37 CFR 11.1: "*Fraud or fraudulent* means conduct that involves a **misrepresentation of material fact made with intent to deceive** or a state of mind so reckless respecting consequences as to be the equivalent of intent, where there is justifiable reliance on the misrepresentation by the party deceived, inducing the party to act thereon, and where there is injury to the party deceived resulting from reliance on the misrepresentation. Fraud also may be established by a **purposeful omission** or **failure to state a material fact**, which omission or failure to state makes other statements misleading, and where the other elements of **justifiable reliance and injury** are established."

USPTO Ethics Rules: Highlights

- Action or notice by OED Director is not a final agency decision under the Administrative Procedure Act; must exhaust administrative remedies before an appeal out of Office.

- USPTO expressly has **jurisdiction over a person not registered to practice before the Office** if the person provides or offers to provide any legal services before the Office.

- Competent representation **requires scientific and technical knowledge**, skill, thoroughness and preparation as well as legal knowledge, skill, thoroughness and preparation.

USPTO Ethics Rules: Highlights

- USPTO does not regulate criminal law matters; any ABA Model Rules relating to criminal practice were not incorporated.

- Section 11.106 addresses maintaining **confidentiality of information**. This section generally corresponds to ABA Model Rule 1.6, but it also **includes exceptions** in case of **inequitable conduct** before the Office. Interesting--- ABA Model rule 1.6(c) says: "A lawyer shall make reasonable efforts to **prevent the inadvertent or unauthorized disclosure** of, or unauthorized access to, information relating to the representation of a client." There is **no PTO equivalent to 1.6(c)**.

Rule 37 CFR 11.106: Confidentiality

(a) A practitioner shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, the disclosure is permitted by paragraph (b) of this section, or the disclosure is required by paragraph (c) of this section.
(b) A practitioner may reveal information relating to the representation of a client to the extent the practitioner reasonably believes necessary:

1) To prevent reasonably certain death or substantial bodily harm;
2) To prevent the client from engaging in inequitable conduct before the Office or from committing a crime or fraud that is reasonably certain to result in substantial injury to the financial interests or property of another and in furtherance of which the client has used or is using the practitioner's services;
3) To prevent, mitigate or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime, fraud, or inequitable conduct before the Office in furtherance of which the client has used the practitioner's services;
4) To secure legal advice about the practitioner's compliance with the USPTO Rules of Professional Conduct;
5) To establish a claim or defense on behalf of the practitioner in a controversy between the practitioner and the client, to establish a defense to a criminal charge or civil claim against the practitioner based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the practitioner's representation of the client; or
6) To comply with other law or a court order.

(c) A practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.

Rule 37 CFR 56: Duty of Candor

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes **a duty to disclose to the Office all information known to that individual to be material to patentability** as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim…

USPTO Ethics Rules: Highlights

- RE: 11.106(c) and the duty of disclosure… "If a practitioner has a conflict of interest in a given matter, arising from a different client, timely **withdrawal** by the practitioner from the given matter **would generally result in OED not seeking discipline** for conflicts of interest under part 11."

- *Section 11.108(e)…* a practitioner shall not provide financial assistance to a client in connection with pending or contemplated litigation or proceeding before the Office, except that a practitioner may advance court or tribunal costs and expenses of litigation. Client must remain ultimately liable unless client is indigent.

USPTO Ethics Rules: Highlights

- The PTO has **declined to enact a rule** that specifically addresses sexual relations between practitioners and clients. Because of the fiduciary duty to clients, combining a professional relationship with **any intimate personal relationship may raise concerns about conflict of interest and impairment of the judgment of both practitioner and client**. To the extent warranted, such conduct may be investigated under general provisions of the USPTO Rules.

Rule 1.13: Organization as Client

Client-Lawyer Relationship

(a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.

USPTO Ethics Rules: Highlights

- Section 11.115(a) requires that **unearned client funds must be kept in a separate** client or third person account maintained in the state where the practitioner's office is situated, or elsewhere with the consent of the client or third person.

- Section 11.118(b)… "Even when no client-practitioner relationship ensues, a practitioner who has had discussions with the prospective client shall not use or reveal information learned in the consultation, except" if USPTO rules would permit or require (think duty of candor).

USPTO Ethics Rules: Highlights

- If you know another practitioner has committed a violation that raises a substantial question as to that practitioner's honesty, trustworthiness or fitness, you must inform the OED Director and any other appropriate professional authority. Similar rule with respect to Judges. Does not require disclosing confidential information or information learned while participating in lawyers assistance program.

Changes to Representation

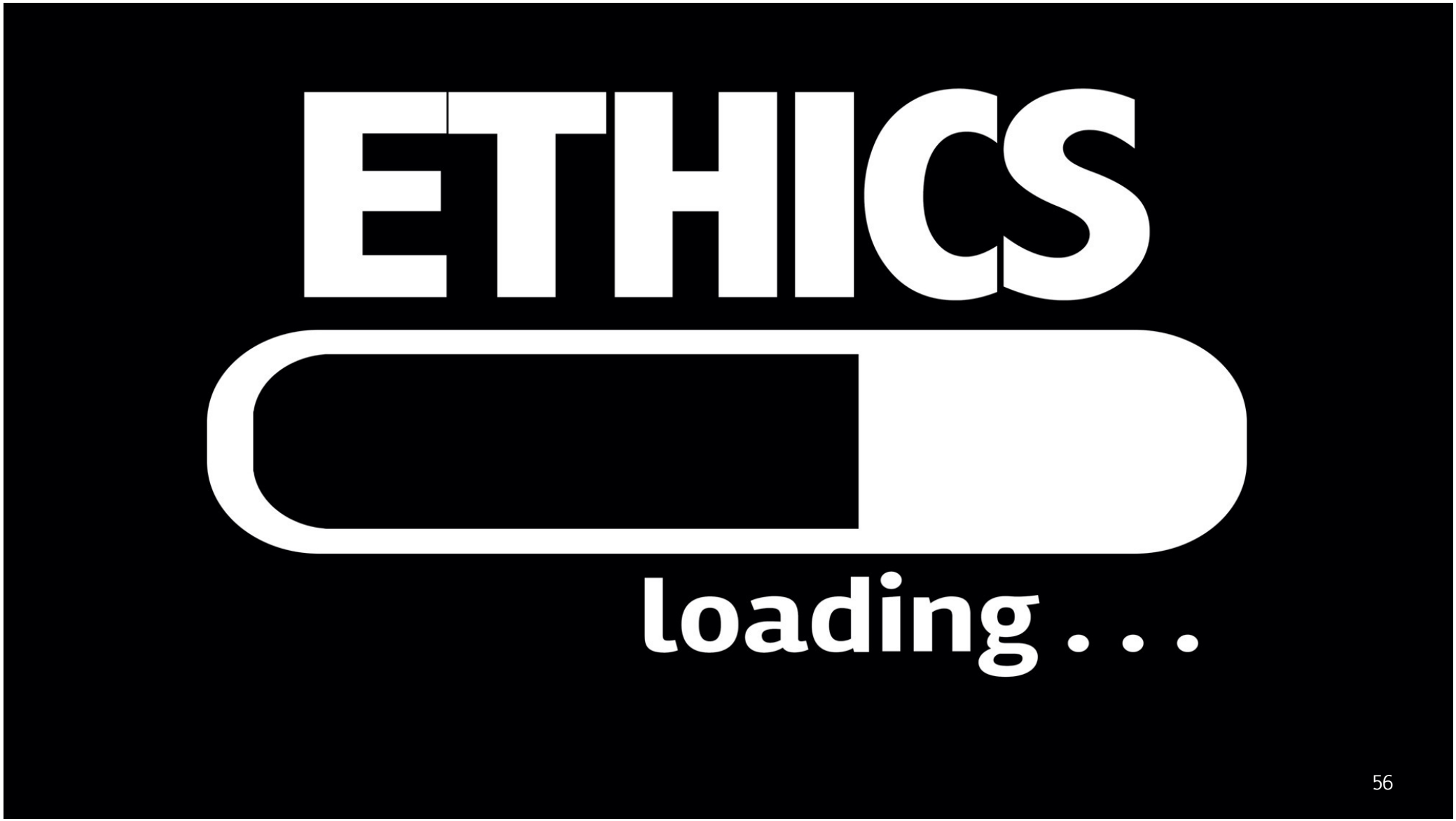
Changes to Representation of Others Before the USPTO (May 26, 2021).

- 11.106(b) is amended to allow a practitioner to reveal information "[t]o detect and resolve conflicts of interest arising from the practitioner's change of employment or from changes in the composition or ownership of a firm, but only if the revealed information would not compromise the practitioner-client privilege or otherwise prejudice the client."
- 11.106(d) is amended to require a practitioner to make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.
- 11.118 is amended to clarify that a practitioner may not use information learned from a prospective client except as otherwise provided, regardless of whether the information was learned in a discussion.
    - 11.118(a) says anyone who seeks advise is a prospective client
    - 11.118(b) says the practitioner shall not use information learned unless it complies with 11.109 (i.e., as allowed by USPTO Rules of Professional Conduct or which becomes generally known).

Changes to Representation

Changes to Representation of Others Before the USPTO (May 26, 2021).

- 11.702 is amended to allow practitioners to post contact info such as a website or email instead of an office address on marketing materials.
  - 11.702(d) now reads: "(d) Any communication made under this section must include the name and contact information of at least one practitioner or law firm responsible for its content."
  - 11.702(c) formerly read: "(c) Any communication made pursuant to this section shall include the name and office address of at least one practitioner or law firm responsible for its content."
- 11.703 is amended to clarify limitations on solicitation apply to any person, regardless of whether the practitioner considers the targets of the solicitation to be prospective clients.
  - 11.703(a) now reads: "(a) "Solicitation" or "solicit" denotes a communication initiated by or on behalf of a practitioner or law firm that is directed to a specific person the practitioner knows or reasonably should know needs legal services in a particular matter and that offers to provide, or reasonably can be understood as offering to provide, legal services for that matter."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