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Patent Prosecution Issues

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For patent attorneys, the purest intentions are never an adequate shield against ethical challenges. In the last few years both the number of malpractice cases and the size of damage awards have soared. *See, Bambrogi, Patent Malpractice Claims Hit Firms*, National Law Journal, (Dec 10, 2007). This has been fueled by recent high-profile cases such as Fish & Richardson's $30M mistake in missing a foreign filing deadline. These cases have piqued the interest of plaintiff's lawyers, which has in turn raised insurance rates. Indeed, some insurers have stopped underwriting the specialty altogether. The dynamics will inevitably make it more difficult for individuals and smaller companies to afford patent representation. Philosophical pros and cons aside, a patent attorney must sharpen their ethics knowledge, fully educate their clients, and document everything. This article is the first in a series designed to spotlight some of the ethical "grey areas."

Consider the following: the CEO of your firm's biggest client Acme Widget calls and explains that he is sending over one of his engineers to discuss a new technology that may result in one or more patent applications. You interview the engineer and send an engagement letter to Acme with your recommendations. The CEO approves and you begin preparing a patent application. However, before it is complete things take an unanticipated turn. The CEO calls to inform you that the engineer has quit. Worse yet, he has started his own company hoping to exploit the very same technology that you were patenting. The CEO wants you to sue the engineer for trade secret theft. You oblige by sending a cease-and-desist letter to the engineer. Soon afterward, you receive a scathing letter from his attorney warning that if you file a lawsuit he will immediately disqualify your firm and file an ethics complaint against you because you represented his client in preparing a patent application. Should you proceed with a lawsuit, or call the CEO and decline to represent him? There are two ethics issues at stake here: 1) whether the potential to be a fact witness bars your participation in the lawsuit; and 2) whether an attorney client relationship formed with the engineer, creating a direct conflict of interest?

The Maryland Rules of Professional Conduct Rule 3.7 states that "(a) A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness unless:

1. the testimony relates to an uncontested issue;

2. the testimony relates to the nature and value of legal services rendered in

the case; or

3. disqualification of the lawyer would work substantial hardship on the client. This is a trade secret case, and you rationalize that the only testimony that you might give relates to the technology, which is now well-documented, and so you get by this issue and move on. Unfortunately, you find the second issue to be far more complex.

The Maryland Rules of Professional Conduct ("MRPC") do not define when the lawyer-client relationship arises. Conversely, the preamble to the Rules makes it clear that common law principles apply, and "whether a client-lawyer relationship exists for any specific purpose can depend on the circumstances and may be a question of fact." While prosecuting a patent application, it is fairly common for a company's outside counsel to work directly with the company's employee/inventors. A body of case law has grown that stands for the proposition that merely working with the engineer does not make him a former client. *See Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 836 F.2d 1332, 1336-37 (Fed. Cir. 1988) (inventor was not a former client just because, as an employee of the corporation, he helped in preparing a patent application); *Pain Prevention Lab, Inc. v. Electronic Waveform Labs, Inc.*, 657 F. Supp. 1486, 1497 (N.D. Ill. 1987) ("helping a patent attorney prepare a patent application does not in itself call for any legal advice."). On the other hand, the persuasive American Law Institute's first Restatement of the Law Governing Lawyers suggests in section 14 that "the relationship is formed when a person manifests an intent that a lawyer provide legal services, and the lawyer either (a) manifests consent or (b) fails to manifest lack of consent and knows or reasonably should know the person reasonably relied on the lawyer to provide the services." Thus, if the engineer asked any legal question, and you offered anything short of a disclaimer, a lawyer-client relationship may have resulted. There is no need for an agreement, an engagement letter, a discussion of fees, nor any meeting of the minds. This is a stringent standard, because once a person becomes a client, albeit inadvertently, they are owed all ethical obligations including those against conflicts of interest. You think back…did the engineer ever independently seek any legal advice from you, and even more importantly is there anything documented that would suggest the same? As you continue reading the MRPC you get even more uncomfortable. Those rules impose a positive duty to avoid misunderstandings. MRPC Rule 4.3 states "In dealing on behalf of a client with a person who is not represented by counsel, a lawyer shall not state or imply that the lawyer is disinterested. When the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding." Certainly, the engineer was curious and asked a lot of questions. Were any of those legal questions? Nothing was documented, and you hope that the evidentiary burdens protect your ultimate decision. In the meantime, the threat of disqualification and an ethics complaint weighs heavily, and you begin to wonder how to avoid this situation next time.

First and foremost, a lawyer must be wary that everyone that he talks to is a potential client, including employees of actual clients. If the lawyer gives a misimpression, that employee might become an actual client, which obviously could have detrimental results. Consequently, if the employee asks questions, the lawyer must judge each question as legal versus factual. If legal, the lawyer should couch their answer in terms of a disclaimer of any legal advice. As a best practice, however, consider requiring employees (or anyone else) to sign a visitor intake form with written disclaimers that fully explains the attorney's relationship and loyalties.