Risky Business: Ethical Challenges Facing IP Law Firm Management

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Risky Business: Ethical Challenges Facing IP Law Firm Management

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Objectives

• Identifying recurrent ethics issues in IP practice.
• Understanding the organization’s role in mitigating IP practice risk.
• Developing best practices for managing IP ethics risks.
Causes of Most IP Ethics Issues

• Dabbling.
• Taking on the wrong client.
• Not vetting the client.
• Failure to communicate.
• Insufficient engagement agreement.
• Failure to train or supervise.
• Failure to consider full range of conflicts.

Recurring IP Ethics Issues

• Not properly identifying the client.
• Conflicts of interest.
• Not communicating and not documenting terms and scope of the engagement.
• Unintentional abandonment and docketing errors.
• Prosecution errors.
Who is the Client?

- Ethical rules predicated on client relationship.
  - Competence
  - Conflicts
  - Loyalty
  - Diligence
- Legal duties depend on client relationship.
  - Contract
  - Professional negligence

The IP Prosecution Client

- Foreign Associate law firm (FA) sends app.
- Inventors 1, 2 and 3.
- Inventors 1 and 2 assign to Company A.
- Inventor 3 assigns to Company B.
- All subsequent communications and instructions come from FA.
- Invoices submitted to, and paid by, FA.
Who is the Client?

• Foreign associate?
• Inventors?
• Company A?
• Company B?

Joint Client Issues

• Who speaks for the “client(s)?”
  – Lawyer “shall abide by a client’s decisions concerning the objectives of the representation.” ABA Rule 1.2(a).
  – Lawyer “shall reasonably consult with the client about the means by which the client’s objectives are to be accomplished.” ABA Rule 1.4(a)(2).
• Duty of impartiality and loyalty to both “clients.” ABA Rule 1.7 cmt. [29]
Client Loss Prevention Checklist

• Document who is the client.
• Document who is not the client.
• Make it clear who gives “instructions.”
• Be mindful of accidentally taking on joint clients.
• Communicate these facts to the client and the non-client. Preferably in writing.

Conflicts of Interest

• Current client. ABA M.R. 1.7 & 1.8
  – Duty of loyalty.
  – Duty of confidentiality.
  – Business relationships with clients.
• Former client ABA M.R. 1.9
  – Duty of confidentiality
Current Client Conflicts Test

• Current Client Conflicts (ABA Rule 1.7(a)):  
  (1) representation of C1 will be *directly adverse* to C2;  
  or  
  (2) significant risk that representation of C1 will be materially limited by responsibilities to another client, a former client, a third person, or by a personal interest.

Sneaky Current Client Issues

• Various current conflicts can arise that are not necessarily classic “direct adversity”:  
  – Taking equity position in client or client’s IP.  
  – Business relationships with client.  
  – Third-party payor.  
  – Limiting liability to client.  
  – Fee-splitting with another firm.  
• Generally OK if informed consent, fair to client, confirmed in writing.  
  – ABA Rule 1.8
**Subject Matter Conflicts**

- Can arise when law firm concurrently represents two clients in similar technology.
- Maling v. Finnegan Henderson
  - OK to represent competitors.
  - Conflict if identical or near identical IP rights.
  - Problem if firm asked to opine for one client on another client’s IP.
  - Problem if Office Action cites one client’s IP as relevant to another client’s IP.

**Former Client Conflicts**

- Difference between whether a client is “current” or “former” may seem trivial, but it can be complex in IP matters.
- Whether client is “current” or “former” depends on reasonable perspective of client.
- Perpetual IP clients.
  - Maintenance fees.
  - TM renewals.
  - Newsletters and announcements.
  - Open opinions.
- Are these ongoing current client matters, or are these all former clients?
Why Current v. Former Matters

- Ethical duties to former clients much narrower than to current clients.
- I cannot sue a current client, even in a totally unrelated matter, absent informed consent, confirmed in writing.
- I can sue a former client unless the matter is “substantially related” to the subject of my prior representation.

Identifying Client Conflicts

- Rule 1.10: Identifying conflicts of interest:
  - Firms must implement procedures to identify and remedy actual and potential conflicts.
  - Need to identify subject matter of representation with sufficient detail.
  - Firms need “robust processes that will detect potential conflicts”
  - Firms run “significant risks, financial and reputational, if they do not avail themselves of a robust conflict system adequate to the nature of their practice”
Conflicts Checklist

• Document conflict checking procedure.
• Software based as well as manual.
  – Emails, practice group leaders.
• Identify all pertinent “clients” to include in database.
• Identify in as much detail as possible the subject matter of the technology of the representation.
• Follow the documented procedure.
• Train attorneys and staff in conflict checking.
• Independent decision-making to resolve questions.
• Termination letter.

Scope of Engagement Ethics Issues

• Miscommunication and failure to communicate are two of the biggest risks facing IP law firms.
• Lawyers’ obligation to make it clear:
  – What is it being asked to do.
  – Who will do the work.
  – How frequently will we be communicating.
  – What are the fees and expenses.
  – What if we don’t get paid.
  – What the lawyer is not being asked to do.
  – When does the representation end.
Scope of Engagement Checklist

• Who is direct client contact or billing attorney?
• Who is the working attorney?
• Regular reporting of important communications?
• How does the client prefer to communicate?
• Backup means for communicating with client?
• National work vs. international IP work?
• Is the client able to pay the anticipated fees and expenses for the anticipated work?
• Are we making it clear to the client when the representation will end?
• Are we making it clear to the client how long it will take, how much it will cost, the likelihood of success?

Engagement Checklist (Cont’d)

• Is there an engagement agreement, and if not, why not?
  – D.C. requires written engagement agreement for all new clients.
  – All contingency fee agreements must be in writing.
• Even if those rules do not apply, the engagement agreement should be “the contract” that sets forth the scope of the representation and all of the relevant terms.
• A great client with a handshake deal is usually better than a bad client with an extensive agreement.
Neglect in Docketing

- Examples of IP docketing errors:
  - Failure or delay in timely filing application.
  - Failure to report Office Action.
  - Failure to reply to Office Action.
  - Unintentional abandonment.
  - Failure to revive abandoned application.
  - Failure to report or pay maintenance fee.
  - Failure to report TM renewal.

Neglect in Docketing (Cont’d)

- IP lawyers have an ethical duty of competence and diligence.
- Failure to properly docket or docket at all, unintentional abandonment, and failure to pay maintenance fees and annuities collectively are the single greatest cause of malpractice claims against IP firms.
- Docketing software is a necessity, but it does not replace competent humans with institutional support and supervision.
Docketing Checklist

• All deadlines must be docketed.
• Reminders must be docketed.
• Dates must be entered into state of the art software-based system.
• But the best law firms have multiple layers of protection for deadlines and reminders:
  – Individual lawyers.
  – Assistants to lawyers.
  – Practice group leaders.
  – Docketing specialists.
  – Docketing supervisors.

Docketing Checklist (Cont’d)

• Reduce docketing risks for post-issuance deadlines by making it clear firm is not responsible.
• Nice termination letter.
• Referral to CPA or similar annuity/reminder service.
• Substantial upside:
  – No argument that client is “current”
  – No need to maintain responsibility for events that will not occur for many, many years.
  – Shifts risk of loss to the client.
Prosecution Errors

• Courts have long recognized that patents are some of the most difficult documents to write in all of law.
• And yet a “mistake” in the drafting or prosecution of a patent application could be worth millions of dollars to a client.
• Drafting errors include:
  – 112 mistakes in the specification.
  – Claim drafting errors – either too broad or too narrow.
  – Failing to identify known prior art.
  – IDS errors, such as failure to notify about related cases or litigation.

Prosecution Error Mitigation

• Lawyer supervision is key to prevention.
  – Create a culture of supervision where junior lawyers are encouraged to seek guidance from senior lawyers.
• Docketing of firm drafts.
  – Need to build in sufficient lead time so supervising partner or more senior lawyer has adequate time to review and revise.
  – May need to build in multiple review rounds.
• Docketing of client drafts.
• Responding to client comments.
  – Working attorney.
  – Supervising attorney review.
Prosecution Error Mitigation

• Continuing formal education.
  – Because this stuff is hard.
  – Firm should regularly sponsor in-house or outside formal training.
  – Supplements hands-on training.
  – Brown-bag lunches, practice group meetings, and firm-wide meetings all necessary to keep up to date.

• Not just for the junior associates.
  – The law is constantly evolving.
  – Senior lawyers need at least as much training if not more than junior attorneys.

Prosecution Error Mitigation

• Lawyers have a duty to supervise the non-lawyer support staff as well, cannot simply pass it off.
• IDS practice – errors are lawyer’s responsibility.
  – Minimize errors by having trained IDS specialists and supervisors.
• Spell checking, grammar checking.
• Client communications regarding duty of disclosure.
  – Lawyer’s ultimate responsibility to educate clients about their duty of disclosure to the USPTO.
  – This should be documented so client cannot later claim they were not informed.
  – Inventors must also be told about disclosure duty.
  – Ultimately their mistakes may result in an unenforceable patent. Therefore important to instill in clients a culture of compliance with USPTO regulations.
Prosecution Error Mitigation

• Lawyers cannot delegate their ethical responsibilities to clients.
• Must exercise independent professional judgment.
• Some clients may not be willing to pay for a lawyer to review specification, claims or other prosecution documents prepared by the client.
• Need to educate the client: independent professional judgment means lawyer cannot simply or blindly follow client’s “instructions.”

Conclusion

• IP ethics problems are normally caused by law firm management.
• Build a culture of compliance.
• Document everything. Communicate frequently.
• Know your client base.
• Don’t dabble.
• Educate.
• Supervise.
• Hire a GC or in-house ethics counsel.
• When in doubt about an ethics problem, ask for help.
Ethics Resources

- IPethics & INsights – http://www.IPethicslaw.com
- ABA Center for Prof. Responsibility - http://www.americanbar.org/groups/professional_responsibility.html
- ABA Legal Ethics Links - http://www.americanbar.org/groups/professional_responsibility/resources/links_of_interest.html
- Freivogel on Conflicts - http://www.freivogelonconflicts.com/
- Georgetown Law Legal Ethics Guide - http://guides.ll.georgetown.edu/legal_ethics

Questions?

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Thank You!