

Avoiding Conflicts of Interest and Other Ethical Dilemmas on the IP Bridge

**GMU Law School
CPIP Annual Conference**

October 4, 2019

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McCabe Law
IP ETHICS

OVERVIEW

- Ground Rules
- IP Conflict Scenarios
 - Knowing the client
 - Dealing with entities
 - Perpetual clients
 - Competitor clients
 - Related IP subject matter
- Suggestions for Avoidance



CONFLICTS 101

- Clients expect your loyalty
 - Puts client interest first
 - No actions against client's interests
 - Business dealings with clients must be fair

Va. RPC 1.7, 1.8; 37 CFR 11.107, 11.108
- Clients expect your confidentiality
 - Essential to relationship
 - Encourages full candor
 - Only to be used for purposes of representation

Va. RPC 1.6; 37 CFR 11.106



CONFLICTS 101

- Loyalty duty exists for as long as the client is a “current” client
 - Protects current clients
 - Loyalty exists in both representations (Rule 1.7) and in client business dealings (Rule 1.8)
- Confidentiality duty exists (essentially) forever
 - Protects current and former clients from danger of misuse of their confidences (Rule 1.6)



WHY WORRY ABOUT CONFLICTS?

- Bar counsel referrals
- Fee disgorgement claims
- Legal malpractice claims/rates
- DQ motions
- Negative publicity
- Strained client relations
- Personal (and personnel) toll:
 - Stress, cost, diversion of resources



CURRENT REPRESENTATIONAL CONFLICTS

- Representation of one client **directly adverse** to another client Va. RPC 1.7(a)(1); 37 CFR 11.107(a)(1)
- Significant risk representation of client will be **materially limited** by lawyer's responsibilities to:
 - Another client or former client;
 - A third-party; or
 - Self Va. RPC 1.7(a)(2); 37 CFR 11.107(a)(2)
- Subject matter of dual representations irrelevant



ATTY-CLIENT BUSINESS CONFLICTS

- Acquiring ownership, security, or other financial interest adverse to a client Va. RPC 1.8(a); 37 CFR 11.108(a)
- Third-party payment of legal fees Va. RPC 1.8(f); 37 CFR 11.108(f)
- Prospective limitations on, and settlements of, malpractice liability Va. RPC 1.8(h); 37 CFR 11.108(h)
- Barring client filing ethics complaint Va. RPC 8.4(d); 37 CFR 11.804(d)



FORMER REPRESENTATIONAL CONFLICTS

- Representation of a client in a new matter will be
 - **materially adverse** to a former client,
 - new matter same, or “substantially related” to, prior matter for former client Va. RPC 1.9(a); 37 CFR 11.109(a)
- Interest is protect former client confidences
- Lawyers may generally take positions adverse to former clients if matters unrelated



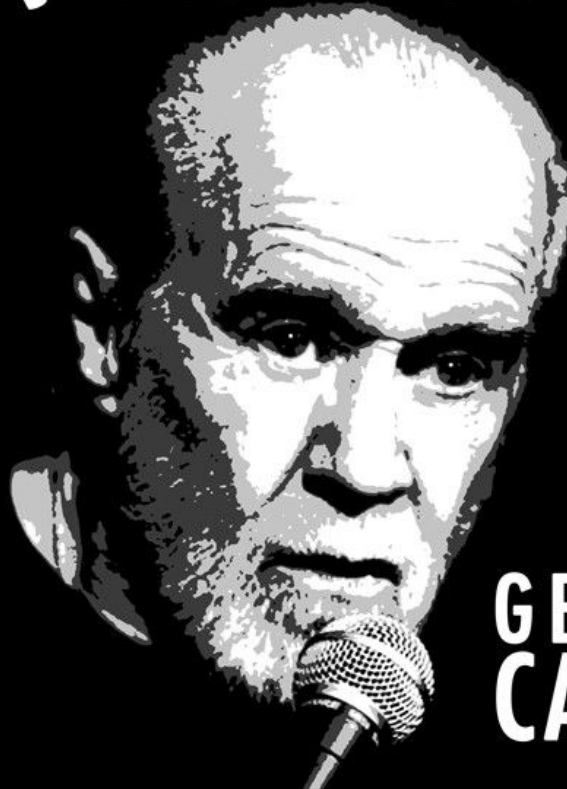
WAIVING CONFLICTS

- Most conflicts waivable
- Requires “informed consent” of both affected clients, confirmed in writing
 - If one side consents but other does not, then no waiver
- Advanced waiver must be “informed”
 - Consent must be based on “all material facts the attorney knows and can reveal”

Sheppard, Mullin v. J-M Mfg. Co., 425 P.3d 1 (Cal. 2018) (holding firm failed to disclose information known to it to inform client’s consent, therefore waiver ineffective)



**WHAT IF
THERE WERE NO
HYPOTHETICAL
QUESTIONS?**



**GEORGE
CARLIN**



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NO. 1 - CURRENT v. FORMER CLIENT

- Firm represents Company A in one TM application
- Company B wants Firm to sue Company A for patent infringement
- Can Firm represent Company B?
- What if Company A were former client?

Consider defining end of engagement letter and/or advance waiver for unrelated matters.



NO. 2 - PERPETUAL TM CLIENT

- Firm represents SmallCo for TM application
- Mark issues
- Can Firm then represent BigCo in unrelated litigation against SmallCo?
- What if Firm promised to provide post-registration services?

Consider defining end of engagement letter. Statement that post-issuance reminders do not reinitiate relationship; need new conflict check.



NO. 3 – PATENT OPINION CLIENT

- Firm provides invalidity and non-infringement opinion for SmallCo
- Six months later, SmallCo asks for, and Firm provides, supplemental opinion
- A year after that, BigCo asks Firm to sue SmallCo in unrelated matter
- Can Firm sue SmallCo?

Consider defining end of engagement and/or advance conflict waiver.



NO. 4 - PATENT PROS. CLIENT

- Ivan Inventor contacts Larry Lawyer about patenting invention on improved rubber for automotive tires
- Ivan and Smith own SmallCo
- Larry meets Ivan and Smith
- They ask Larry to draft patent application
- Ivan and Smith say invention could become a standard in automotive industry



PATENT PROS. CLIENT (Cont'd)

- Who is Larry's Client?
 - Ivan
 - Smith
 - SmallCo
- Scope of representation?
 - Geographic, temporal and/or subject matter limits

Consider defining client and limiting scope of engagement.



JOINT CLIENTS

- A lawyer may generally represent multiple clients
- Who speaks for joint clients?
 - Lawyer “shall” abide by a **client’s** decisions concerning objectives of the representation. Ill. RPC 1.2(a); Cal. RPC 1.2(a); NC RPC 1.2(a); Minn. RPC 1.2(a); 37 CFR 11.102(a)
 - Lawyer “shall” reasonably consult with **client** about means to accomplish **client’s** objectives. Ill. RPC 1.4(a)(2); Cal. RPC 1.4(a)(2); NC RPC 1.4(a)(2); Minn. RPC 1.4(a)(2); 37 CFR 11.104(a)(2)



ENTITY CLIENTS

- A lawyer retained by an organization represents the organization acting through its “constituents”
 - III. RPC 1.13(a); Cal. RPC 1.13(a); NC RPC 1.13(a); Minn. RPC 1.13(a); 37 CFR 11.113(a)
- Due Care when dealing w/ individuals from entity
 - Especially smaller entities
 - Officers/managers/directors
 - Inventors
 - Shareholders
 - Deponents – Personal v. 30(b)(6)



NO. 5 - PATENT CURRENT CONFLICT

- Conflict check shows Larry's firm represents Ford in employment lit
- Can Larry accept SmallCo representation?
 - Directly adverse to Ford?
 - Significant risk that representation would be materially limited by firm's duties to Ford?

Consider limiting scope of engagement and appropriate conflict waiver language. Consider Outside Counsel Guidelines.



NO. 6 – FAMILY CONFLICTS

- Assume Larry’s firm represents a Ford subsidiary and the patent work for SmallCo targets Ford parent
- Can Larry accept the representation adverse to Ford parent while also representing subsidiary?
 - Wholly owned vs. partially owned
 - Same or different management; legal
 - *Dr. Falk Pharma GmbH v. Generico, LLC*, 916 F.3d 975 (Fed. Cir. 2019) (firm DQ’d where OCG defined “client” to include corporate family members)

Consider defining “the client” so not to include other family members and/or request a waiver. OCGs matter!

NO. 7 – DIVORCING CLIENT TO AVOID CONFLICT

- Assume Larry's firm represents a Ford subsidiary
- SmallCo thinks "Ford" will be a target for its (pending) patent application
- Larry wants to represent SmallCo.
- Should Larry drop Ford as a client, converting it to a former client? Is the conflict clear or speculative?

Consider defining "the client" so not to include other family members and/or request a waiver. OCG?



NO. 8 – AMENDING AWAY INVENTOR

- Larry identifies Ivan and Smith as co-inventors
- Smith instructs Larry to amend claims
- Larry follows Smith’s instruction, does not consult with Ivan
- Result is Ivan not a co-inventor
- Did Larry breach duty of loyalty to Ivan?

In re Jeremy Blackowicz, No. D2015-13 (PTO Dir. May 5, 2015) (Atty disciplined for following C1 instructions that hurt C2 w/o conferring w/C2)

Consider entity as client & specify who speaks for it



NO. 9 – OTHER CLIENT PRIOR ART

- Larry reps SmallCo and his firm represents Ford
- SmallCo patent app rejected based on Ford pub.
- What can Larry do during prosecution?
 - Characterize reference in a way that favors SmallCo?
 - Narrow SmallCo's claims to avoid Ford reference?
 - Argue Ford application not enabling?
- Material limitation conflict?

Consider renewing conflict check during prosecution to account for new information



NO. 10 – SUBJECT MATTER CONFLICT

- Firm represents Ford for patents relating to improved braking system (E/M)
- SmallCo asks Firm to represent it on an improved rubber for automotive and other vehicle tires (Chem/process)
- Is this a conflict?

Consider renewing conflict check during prosecution to account for new information



“SUBJECT MATTER” CONFLICTS

- Relates to representing two clients concurrently before USPTO who are seeking IP rights in the same general area of technology
- Raises both “direct adverse” and “material limitation” concurrent conflict issues
- Can be grounds for malpractice, ethics complaint

Maling v. Finnegan Henderson, 473 Mass. 336 (2015)



WHAT *MALING* TEACHES

- Similar subject areas not enough to create conflict
- Economic adversity not enough for a conflict
- Determining conflicting subject matter in patents must focus on claimed invention
 - Overlapping claims e.g. Interference-type
 - 102 similar or “obvious variants”
- IP firms duty to conduct “robust” checks for possible conflicting subject matter

OED follows *Maling*, expects IP firms to have “robust” conflict checking system for S.M. conflict



NO. 11 – THE SETTLEMENT

- SmallCo sues Larry and Firm for legal malpractice
- SmallCo also files ethics grievance with OED and state bar counsel
- Firm and SmallCo agree to settle all disputes
- Agreement requires SmallCo to dismiss its bar complaint. SmallCo notifies OED, which promptly expands its investigation of Larry.
- Was Larry's settlement of the grievance unethical?

Sometimes the ethics rules do not contain the answers to ethics questions. Must consider also bar and court opinions.



NAVIGATING ETHICAL DILEMMAS

- **The Engagement Agreement**
 - Really good idea
 - Should define the client
 - Particularly important for entity clients
 - Identify who is not the client
 - Identify who speaks for client
 - Particularly important for joint clients
 - Scope of representation
 - Consider limiting scope to discrete tasks
 - Temporal limitations, esp. with post-issuance



TIPS FOR NAVIGATING (cont'd)

- **The Conflict Check System**
 - Must have one
 - Should at least:
 - Identify client
 - Describe scope
 - Subject matter
 - Identify adverse parties
 - Identify other interested parties (e.g. licensees, infringers, inventors, family members)



TIPS FOR NAVIGATING (cont'd)

Checking for Subject Matter Conflicts:

- Detailed description of core invention entered into conflict checking system
 - Abstract or similar
 - Key word check
- Email description to Firm attorneys/agents
- Consideration and clearance by relevant practice group leaders



TIPS FOR NAVIGATING (cont'd)

- **Updating Conflict Checks**
 - Patents: Consider 102/103 cited art owner
 - TMs: Consider cited mark owner
 - New parties; adverse parties; licensees; subpoenas
 - ID all new relations as they arise
- **Non-representation letters**
- **End of representation letters**



TIPS FOR NAVIGATING (cont'd)

- **Neutral Process**
 - Impartiality of person or group designated to analyze/clear conflicts
- **Temper reliance on advance waivers**
 - Evaluate whether advance waiver includes all current info on informed consent
- **Educate**
 - Attys, supervisors and staff as necessary to help spot issues



Thank You



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