



Professional Ethics Committee

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INFORMAL OPINION 2012 – 02

IN-HOUSE LAWYER REPRESENTING JOINT-VENTURE CORPORATIONS IN CONNECTION WITH A PATENT APPLICATION

We are asked for advice concerning an in-house lawyer's ethical obligations which will arise in connection with the practice of patent law, with respect to client confidences and conflicts of interest.

A1, a Connecticut lawyer, is in-house patent lawyer for corporation C1 at its Connecticut office. Letters Patent are sought from the United States Patent and Trademark Office ("PTO") for inventions made either jointly by employees of corporation C1 and corporation C2 or by employee(s) of only one corporation (C2 being relevant to the inquiry), arising from research and development work pursuant to an agreement between the corporations. The employees will assign their entire interests to their respective employers pursuant to employment agreements.

The corporate agreement provides that A1 will represent the applicant-inventors before the PTO. In accord with common patent matter procedure, A1 will file with the PTO powers of attorney from the several inventors, alternatively from their assignees.

The business agreement specifies that A1 is limited to representing C2 only with respect to the patent process at the PTO; and, that the grant of power of attorney by C2 is not intended to create an attorney client relationship between A1 and C2. A1 will prepare and file the patent application, argue its patentability at the PTO, and communicate with C2 and its employee-inventors through A2, an in-house patent lawyer of C2, or directly.

There will be an exchange of confidential information amongst A1, the inventors, and their assignees C1 and C2, with respect to the patenting work. A1 will receive confidential information from C2 and its employee-inventors either through lawyer A2 or directly with the cognizance of A2. A1 will inform C2 about the

patenting process, but will not give legal advice to C2. We are also told that C1 and C2 may enter into a further agreement, namely a community of interest and joint defense agreement, to permit exchange of confidential information between their respective attorneys, with the aim that such confidential information and associated work product may be protected from discovery in litigation.

We are asked how ethical rules apply to the activities of attorney A1 under the circumstances, first with respect to confidential information. Based on this analysis, we think A1 is obliged to protect the confidences of both C1 and C2 under the Connecticut Rules of Professional Conduct (RPC). We are also asked if it would be permissible under the RPC for A1 to represent C1 in a future dispute with C2 relating to the subject matter of the joint invention agreement and patent application. Such representation would be prohibited by the RPC.

Representation in the patent matter is practice of law; Corporation C2 is a client

We are requested to first treat the situation where A1 is a lawyer admitted both in Connecticut and at the PTO. Then we treat the situation where A1 is not admitted in Connecticut.

The PTO is an agency of the United States Government and includes an administrative law tribunal, the Board of Patent Appeals and Interferences. Persons who represent parties at the PTO must be registered as patent practitioners. Practitioners may be non-lawyers (called “patent agents”) and lawyers (called “patent lawyers”). Practitioner work includes preparing and filing a legal-technical instrument (i.e., the application) and arguing the patentability of the claimed invention under the law, responsive to actions by a patent examiner (called “prosecution”). In *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 383, 83 S.Ct. 1322 (1963), the U.S. Supreme Court said it did not question the State of Florida’s determination that preparing and prosecuting patent applications before the PTO constitutes the practice of law. Here, we are presented with the issue of whether preparing and prosecuting patent applications as described above is practice of law in Connecticut.

In our opinion, when A1 as an attorney practicing in Connecticut seeks to secure letters patent from the PTO for the inventors as applicants and potential patentees, and beneficially for the corporate assignee-owners C1 and C2, A1 is practicing law in Connecticut and thereby has an attorney client relationship with C1 and C2, and with their respective inventor-employees. A1 is representing all the inventors as applicants, in accord with PTO practice. A1 is representing C1, irrespective of the fact that A1 is an employee of C1. See RPC 1.13. A1 also represents C2 since C2 is assignee of the interests of its employees; and, C2 has authorized A1 to do patent lawyer work on behalf of its employee-inventors. Even under one scenario where A1 may communicate with C2 and C2’s inventor-employees only through C2’s in-house attorney A2, and where C2 is said not to be

receiving any advice from A1, it is only A1 who represents as a lawyer the interests of C2 and C2's inventor-employees before the PTO. (And in the course of that practice A1 receives client confidential information, treated below.) We are informed that the R&D agreement between corporations C1 and C2 will have a provision declaring that A1's representation of C2 before the PTO is not intended by C1 and C2 to create an attorney client relationship between A1 and C2.¹ However, the nature of the activity in which A1 is engaged and the attendant facts determine that there is an attorney client relationship, as above. The agreement between the two corporations does not alter that.

With respect to the power of attorney which either the applicants or assignees may execute: The PTO does not require such powers when a registered practitioner represents a party-applicant. 37 CFR 1.34. Nonetheless, the PTO Rules provide that "An applicant may...give a power of attorney so as to be represented by one or more patent practitioners or joint inventors." 37 CFR 2.31. "*Power of attorney* means a written document by which a principal authorizes one or more patent practitioners or joint inventors to act on his or her behalf." 37 CFR 1.32(a)(2). The PTO suggested form of power of attorney is very simple.² Thus, a power of attorney formalizes the legal representation by A1 of the inventor-applicants and the associated assignees C1 and C2, in A1's patent practitioner capacity. In other words, the effect of the power of attorney is to give evidence to the PTO that A1 is acting with the authorization of the interested parties in representing the joint patent applicants before PTO.

Applicability of Connecticut Rules of Professional Conduct; resultant obligations and limitations

During the patenting process there will commonly be exchanges of information between client and patent attorney relating to one or more of: composing the substance of the application; what arguments to make about patentability; how to amend the application/claims; preparing affidavits; meeting the duty of disclosure; deciding on any derivative filings such as continuation or divisional applications; deciding and making administrative appeal; etc.

In our opinion, such kinds of communications with the clients being represented are subject to the rules of attorney client confidentiality. *In re Spalding Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000).³ As we indicate in the preceding paragraph, in the patenting process the exchange goes much beyond exchange of only technical

¹ Simultaneously, C1 and C2 understandably want to protect confidential information from third parties. See discussion of a community of interest and joint defense agreement, *infra*.

² "I hereby appoint X as my/our attorney(s) or agent(s) to prosecute the application described above and to transact all business before the United States Patent and Trademark Office." Form PTO/SB81

³ Some district courts held previously that a practitioner is a mere conduit for the client to the PTO and there is no confidentiality protection for technical information communicated to the practitioner by the client, in context of 37 CFR 1.56 duty of disclosure. See for example, *Jack Winter, Inc. v. Koratron Co.* 50 F.R.D. 225 (1970).

or ministerial information.

Lawyer A1 is subject to both the RPC of Connecticut and the PTO's Code of Professional Responsibility (CPR).⁴⁵ The CPR recognizes the co-extensiveness of state professionalism standards with its regulations. "This part [37 CFR Part 10] governs solely the practice of patent, trademark and other law before the Patent and Trademark Office. Nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives." 37 CFR 10.1 (definitions).

The doctrine of federal preemption means that a state cannot set the rules by which a lawyer may practice before the PTO. At the same time, "the state maintains control over the practice of law within its borders except to the limited extent necessary for the accomplishment of federal objectives." *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963). "That the PTO and the states share jurisdiction over certain disciplinary matters...does not mean that the states disciplinary authority is preempted." *Kroll v. Finnerty*, 242 F.3d 1359, 2365 (Fed. Cir. 2001). See also 37 CFR 10.1. See also *In Re Peterson*, 163 B.R. 665, 674-5 (D. Conn. 1994) re Connecticut regulation of a lawyer practicing bankruptcy law. Specific services of patent practitioners are categorized with respect to what a State can or cannot regulate in Opinion 9, New Jersey Supreme Court Committee on Unauthorized Practice of Law, 95 N.J.L.J. 269 (1972).

Information communicated to and from lawyer A1 is confidential information within the meaning of RPC 1.6 (confidentiality of information) and is thus subject to Connecticut regulation. Any violation of confidentiality of client information of the inventors or C1 or C2 by unauthorized disclosure to a party other than the PTO, or outside of the patenting process, would violate RPC 1.6. (Such disclosure could also appear to violate the federal CPR.) That kind of RPC limitation on A1's activity, and any related state discipline of A1 for a violation, would not limit A1's ability to continue to represent parties at the PTO. Thus, the applicability of RPC 1.6 and other rules pertinent to the situation presented here, and relating to use or disclosure of client information, is not preempted.

In accord, any representation of the subject clients other than representation at the PTO, such as in civil transactions or non-patent-application litigation, is conduct subject to Connecticut rules, in particular to RPC

⁴See United States Code Title 35 Patents, and in related Code of Federal Regulations Title 37 "Patents, Trademarks, and Copyrights." Subchapter A, Part 10 of Title 37, "Representation of others before the Patent and Trademark Office," includes Sections 10.20-10.113 "Patent and Trademark Office Code of Professional Responsibility."

⁵Patent law imposes other obligations on practitioners; for example, 37 CFR 1.56 imposes a duty of candor on practitioners (and inventors), to disclose certain information known to them which is material to the patentability of an invention. (That duty could conflict with provisions relating to preserving other-client confidences.)

1.7 (conflict of interest), RPC 1.8 (prohibited transactions) and RPC 1.9 (duties to former clients).

Representing Corporation C1 in future dispute with Corporation C2

We are asked if A1 could permissibly represent C1 in a possible future dispute with C2 with respect to the same subject matter as comprises the patent application. In our opinion: If the patent work is ongoing, Rule 1.7 applies. If the patent work has been completed, then C2 is a former client and Rule 1.9 applies. In each instance, a disciplined analysis of the facts and interests must be made by the lawyer. See, for example, the Comments to Rule 1.7. It would appear that in the situation presented here, in the first impression, A1 could not permissibly represent C1 in a dispute with C2 relating to the patent application subject matter, absent a waiver by C2 of the conflict of interest of A1, to the extent the conflict can be waived under the RPC.

If A1 is disqualified from representing C1, then that disqualification is imputed to the in-house lawyers associated with A1, since a corporate legal department is treated similarly to a law firm. See Comment to Rule 1.10. Of course, if C2 grants to A1 a waiver of the conflict of interest, then any imputed disqualification would not be present.

What if lawyer A1 is not admitted in Connecticut?

We have been asked how the situation above is altered if lawyer A1 is not admitted in Connecticut. Our answer is this:

(a) If A1 is an authorized/registered house counsel within the meaning of Practice Book Sec. 2-15A (Authorized House Counsel) and related RPC 5.5(d)(1), then A1 becomes subject to the RPC. Practice Book 2-15A(d)(1)(B)(i). Thus, our foregoing analysis and opinion is applicable.

(b) If A1 is neither admitted in nor registered in Connecticut: The RPC contemplates that a lawyer, not admitted in Connecticut, may provide in Connecticut certain legal services which are authorized by federal or other law. RPC 5.5(d)(2). While RPC 5.5 does not say whether such a lawyer is bound by the RPC, RPC 8.5(a) states in part: "A lawyer not admitted in this jurisdiction is also subject to the disciplinary authority of this jurisdiction if the lawyer provides or offers to provide any legal services in this jurisdiction." Whether the RPC or the rules of another jurisdiction apply would depend on the considerations stated in RPC 8.5(b); but in either situation the Connecticut disciplinary authority would have jurisdiction to enforce the applicable rule. Therefore unless the rules of some other jurisdiction are both applicable and different from Connecticut's rules, our foregoing analysis and opinion is proper.

Community of interest and joint defense agreement

The inquiry notes there is a common interest or common defense agreement. We are not advised of the terms. In any event, the existence of such an agreement does not vitiate the obligations that A1 owes to C2.

Whether Corporation C1 is practicing law?

We have been asked if corporation C1 might be deemed to be practicing law in violation of RPC. While we ordinarily do not opine on unauthorized practice of law issues, here the situation seems straightforward, namely, that C1 is not engaged in law practice. We presume that A1 is compensated as employee of C1, and that C1 is not billing any charge to C2 for C1's services.⁶

PTO rules require that, absent unusual circumstances and grant of a special petition, the applicants shall be represented in common by one or more practitioners.⁷ The legal services are being provided by A1 as an individual lawyer and patent practitioner to C1 and C2, personally appointed by power of attorney from each of the inventor-applicants or assignee owners. No legal services are being provided by corporation C1 within the meaning of RPC 5.5 and Practice Book Section 2-44A.

Conclusion

In summary, a lawyer has an attorney-client relationship with each joint venture corporate entity when the lawyer represents the interests of the entities and their respective inventor-employees in seeking a patent from the United States Patent and Trademark Office. The providing of legal services by a patent lawyer who is admitted to the Connecticut bar, or registered as in-house counsel, is subject to the Connecticut Rules of Professional Conduct. The applicability of Connecticut Rules is not preempted by federal law when they relate to activities outside the patent office and the patenting process. Rule 1.6 (confidential information) applies to the patent lawyer's present and future activities. Rule 1.7 (conflict of interest) and Rule 1.9 (duties to former clients) can limit the role which the patent lawyer and associated in-house counsels may have in representing their employer in a future dispute with the other joint venture entity, relating to the patent subject matter. Because the patent lawyer is in-house counsel does not mean the corporate employer is providing legal services

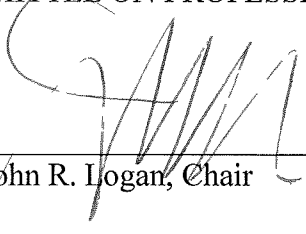
⁶ Sharing in costs, such as patent office fees, might be distinguished. Sharing in the cost of an in-house lawyer has been found permissible by at least one jurisdiction. See Kansas Bar Assoc. Legal Ethics Opinion 98-9 (1998).

⁷ 37 CFR 1.32(b)(4) and Manual of Patent Examination Procedure 402.10 (United States Patent & Trademark Office). A2 could be empowered to act at the PTO along with A1, but A2's power would necessarily come from both C1 and C2 or their respective applicant-inventors; and thus, both A1 and A2 would represent all applicants and both C1 and C2.

to the joint venture entity or its employees as patent applicants, since the lawyer is personally appointed by power of attorney to represent the interests of both joint venture entities. If the patent lawyer is not admitted in Connecticut, but is registered as house counsel, the Rules apply. If the patent lawyer is neither admitted nor registered then the lawyer is subject to Connecticut disciplinary authority.

THE COMMITTEE ON PROFESSIONAL ETHICS

By



John R. Logan, Chair