PROGRAM MATERIALS
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Ethics in Review for IP In-House and Corporate Attorneys

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Ethics in Review for IP In-House and Corporate Attorneys

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Applicability to In-House Attorneys

- **Rule 1.0 (h) “Firm” or “law firm”** includes, but is not limited to . . . the legal department of a corporation or other organization. Although In-house counsel may not encounter some of the ethical issues confronting attorneys in private practice, they must deal with a subset of unique issues.

FRAMEWORK OF ETHICAL OBLIGATIONS

- The USPTO adopted the Rules of Professional Conduct (USPTO Rules), effective May 3, 2013.
  - http://www.uspto.gov/learning-and-resources/ip-policy/current-practitioners/uspto-rules-professional-conduct
- The USPTO Rules are based on the ABA Model Rules of Professional Conduct (ABA Model Rules)
  - https://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/model_rules_of_professional_conduct_table_of_contents.html
- As are New York's Rules of Professional Conduct ("NY Ethics Rules") and comparable rules in other states.
  - http://www.nycourts.gov/rules/jointappellate/ny-rules-prof-conduct-1200.pdf

Substantive Issues - Competence

- **RULE 1.1: COMPETENCE** (a) A lawyer should provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.
- **Comment 8**:To maintain the requisite knowledge and skill, a lawyer should . . . keep abreast of the benefits and risks associated with technology the lawyer uses to provide services to clients or to store or transmit confidential information. . . .

Substantive Issues - Confidentiality

- **RULE 1.6: CONFIDENTIALITY OF INFORMATION:** (c) A lawyer [shall] make reasonable efforts to prevent the inadvertent or unauthorized disclosure or use of, or unauthorized access to, information protected by Rules 1.6, 1.9(c), or 1.18(b).

Substantive Issues - Confidentiality

- **Comment 16:**Factors to be considered in determining the reasonableness of the lawyer's efforts include, but are not limited to: (i) the sensitivity of the information; (ii) the likelihood of disclosure if additional safeguards are not employed; (iii) the cost of employing additional safeguards; (iv) the difficulty of implementing the safeguards; and (v) the extent to which the safeguards adversely affect the lawyer's ability to represent clients (e.g., by making a device or software excessively difficult to use). A client may require the lawyer to implement special security measures not required by this Rule, or may give informed consent to forgo security measures that would otherwise be required by this Rule. . . .

Substantive Issues - Confidentiality

- **Comment 17**: . . However, a lawyer may be required to take specific steps to safeguard a client's information to comply with a court order (such as a protective order) or to comply with other law (such as state and federal laws or court rules that govern data privacy or that impose notification requirements upon the loss of, or unauthorized access to, electronic information. . . .

Substantive Issues - Conflicts

Rule 1.7 (a): Except as provided in paragraph (b), a lawyer shall not represent a client if a reasonable lawyer would conclude that either:

1. the representation will involve the lawyer in representing **differing interests**; or
2. there is a significant risk that the lawyer's professional judgement on behalf of a client will be adversely affected by the **lawyer's own financial, business, property or other personal interests.**

Substantive Issues - Conflicts

Rule 1.0 (f): "Differing interests" include every interest that will adversely affect either the judgment or the loyalty of a lawyer to a client, whether it be a conflicting, inconsistent, diverse, or other interest.

Substantive Issues - Conflicts

Rule 1.8 (b): A lawyer 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 these Rules.

- In brief, an attorney cannot act materially adverse to a current client without the client's informed consent.
- Informed consent can be a challenging concept in the case of a complex corporate organization

Identification Of The Client

Rule 1.13: When a lawyer **employed** or retained by an organization is dealing with the organization's directors, officers, employees, members, shareholders or other constituents, and it appears that the organization's interests may differ from those of the constituents with whom the lawyer is dealing, the lawyer shall explain that **the lawyer is the lawyer for the organization and not for any of the constituents**. This can be especially significant when a lawyer is dealing with a corporate inventor

Identification Of The Client

Comment 34 to the NY Rules (in part):

- A lawyer who represents a corporation or other organization does not, simply by virtue of that representation, necessarily represent any constituent or affiliated organization, such as a parent or subsidiary.
- Whether the affiliate should be considered a client will depend on the nature of the lawyer's relationship with the affiliate or on the nature of the relationship between the client and its affiliate.

Identification Of The Client

- As a general rule, an attorney for an entity does not automatically represent the entity's constituents.

- But sometimes, the corporate family will create an attorney-client relationship with a corporation's affiliates or subsidiaries even though the attorney's title or corporate "employer" does not specify such representation

Differing Interests Among Affiliates

- Transfer Pricing
- Employment Law Issues
- Invention Ownership
- Export Control

Export Control

35 U.S.C. § 184(a)

Except when authorized by a license obtained from the Commissioner of Patents **a person shall not file or cause or authorize to be filed in any foreign country** prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model **in respect of an invention made in this country**.

Export Control

- In addition to a foreign filing license, the invention may require a U.S. export control license
- International Traffic in Arms Regulation ("ITAR") 22 C.F.R. 120-130
- Export Administration Regulation ("EAR") 15 C.F.R. 730-774
- Do these requirements expose "differing interests"?

Legal v. Business Advice

- Only legal advice is privileged
- Technical discussions
- Working with inventors

Business Transactions with Client

- **Rule 1.8 (a):** A lawyer shall not enter into a business transaction with a client if they
  - have differing interests therein and if the client expects the lawyer to exercise professional judgment therein for the protection of the client, unless:
  - *(1)* the transaction is fair and reasonable to the client.
  - *(2)* the client is . . . given a reasonable opportunity to seek the advice of independent legal counsel on the transaction; and
  - *(3)* the client gives informed consent.
- How does this affect lawyer compensation?

Imputed Disqualification

- (a) While lawyers 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 so by Rule 1.7, 1.8 or 1.9, except as otherwise provided therein. Rule 1.10

Duties Owed To Former Clients

Rule 1.9(a): A lawyer 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 adverse** to the the interests of the former client unless the former client gives informed consent, confirmed in writing.

Duties To Former Clients - Dynamic

Dynamic 3D Geosolutions LLC v. Schlumberger, 2015-1628 (Fed. Cir. 2016)

- Former Deputy GC for Intellectual property for Schlumberger had been responsible for developing and implementing world wide IP strategy
- As part of here duties she studied the ‘319 Patent that was owned by a competitor
- Thereafter, she left Schlumberger and joined Acacia, where she met with the inventors of the ‘319 Patent
- One of her subordinates and outside counsel recommend that Acacia buy the ‘319 Patent and sue Schlumberger and others.

Duties To Former Clients - Dynamic

- The former Deputy GC “approved” or “concurred” in that recommendation
- District Court, applying Texas law held that the Deputy GC, her subordinate and the outside counsel should be disqualified.
- The Federal Circuit affirmed.

Takeaways

- The Rules of Professional Conduct apply to in-house counsel
- Some issues confronted by outside counsel don’t typically arise in the in-house setting
- But other ethical issues are unique to in-house counsel