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Ethical Conflicts For The Patent Practitioner

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DUTY TO DISCLOSE V. CONFIDENTIALITY

The Sarbanes-Oxley Act of 2002 ("SO Act") was intended to protect the public from corporate fraud by requiring stricter standards for corporate governance, accounting, and financial disclosure. While the SO Act does not explicitly refer to the patent activities of a corporation, it establishes new rules for corporate activity that may affect an attorney's practice of law. In particular, the disclosure provisions of the SO Act may directly conflict with state professional codes on maintaining client confidentiality. This article addresses the impact of the SO Act on patent attorneys in the context of a hypothetical by first examining the apparent disparity between the United States Patent Office's "Rule 56 duty to disclose" and various states' codes of professional conduct on maintaining client confidentiality. Next, possible solutions to the apparent conflict are explored before the effect of the SO Act is considered. This article also reviews the responses of the Washington and California State Bar Associations to the SEC's position on the preemption of state codes of professional conduct by the SEC regulations implementing the SO Act. Lastly, some thoughts are provided on the potential discrepancy in outcomes for attorneys practicing in different states, as well as for non-state bar governed patent agents.

SEE *Ethical Conflicts* PAGE 11

inside

Ethical Conflicts

CONTINUED FROM PAGE 1

HYPOTHETICAL

THE CONFLICT

You are a patent attorney who has been retained to prosecute a patent application pending before the Unites States Patent and Trademark Office (USPTO). You become aware that the client knows of prior art references or activities that may be material to the patentability of the pending patent application. For example, the client made an offer for sale of a product embodying the invention being claimed in the patent application more than one year prior to the earliest priority filing date of the patent application. The offer for sale was made to another party under a non-disclosure agreement. Further, assume that the offer for sale was not publicly disclosed by either the client or the receiving party. As such, the offer for sale, itself, is the client's confidential information and not public information. However, such "offer for sale" information is material to patentability[1] because it may still operate as a bar to patentability under 35 U.S.C. § 102(b).[2] You advise your client of the duty to disclose this information to the Patent Office (and that the client may have to abandon the patent application expressly).[3] The patent application is very important to the client,[4] who explicitly instructs you not to disclose such information to the PTO. How do you resolve this unfortunate conflict?[5]

CONFLICT ISSUES

Hopefully, most clients will choose the legal and ethically appropriate course of action when properly advised by their attorney. However, in light of the corporate accounting scandals in recent years, the above scenario does not seem improbable. Although the facts of the hypothetical may still seem somewhat contrived, the intent is to provide a context for analyzing the interplay among the various rules, codes, and duties being examined.

The attorney in the above hypothetical is caught between conflicting professional requirements: the duty of candor under both 37 C.F.R. § 1.56 ("Rule 56") and the USPTO code of professional responsibility, versus the USPTO and state rules of professional responsibility governing an attorney's duty of confidentiality. USPTO Rule 56 requires the disclosure of any information that is material to patentability by individuals involved with the preparation and prosecution of a patent application, including an attorney who prepares or prosecutes the application.[6] Failure to disclose material information can be deemed inequitable conduct that potentially carries severe penalties for both the client[7] and the patent attorney.[8] In contrast, both state codes[9] and USPTO codes[10] of professional responsibility impose a duty of confidentiality on an attorney to maintain all information relating to a client's representation in confidence.[11] The patent attorney in the above hypothetical is faced with a dilemma of choosing between disclosing the information to the USPTO, in order to comply with the duty of candor imposed by the federal/USPTO codes, and maintaining the information confidential under state (and possibly USPTO) codes of professional responsibility. If the duty of candor is paramount over the duty of confidentiality and the attorney discloses the information to the USPTO, the duty of confidentiality may be breached, potentially resulting in disciplinary action by the state bar. If the duty of confidentiality is paramount over the duty of candor and the attorney does not disclose the information to the USPTO, the duty of candor (and duties under the USPTO codes of professional responsibility) may be breached, potentially resulting in USPTO disciplinary action against the patent attorney.[12]

This conflict of rules raises important issues. How can patent attorneys maintain the interests of the client while protecting themselves? How does the recently enacted SO Act affect the outcome?

USPTO CODES OF PROFESSIONAL RESPONSIBILITY AND RULE 56

The USPTO Code of Professional Responsibility ("USPTO Code") governs "solely the practice of patents, trademark, and other law before the Patent and Trademark Office."[13] The USPTO Code most likely preempts all state law governing attorney conduct during prosecution before the USPTO because it preempts state law "to the extent necessary for the Patent and Trademark Office to accomplish its Federal objectives."[14] As such, the USPTO Code governs the conduct of patent attorneys while they prosecute patents to the preemption of state regulations such as imposed by state licensing boards to the extent necessary for the USPTO to meet its objectives.

The USPTO Code requires a patent attorney to represent a client zealously and preserve "the confidences and secrets of a client."[15] The term "confidences" is defined as "information protected by the attorney-client privilege under the law."[16] The term "secret" is defined as "other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client."[17] The USPTO Code prohibits revealing confidences or secrets, or using them to the

Call For Comments!

The article by Daniel Ovanezian and Suk Lee, "Ethical Conflicts for the Patent Practitioner," deals with one of the most significant problems that California Attorneys may face in practicing before the United State Patent and Trademark Office (USPTO). The California Code of Professional Responsibility obligates California Attorneys to meet specific ethical standards or possibly suffer disciplinary action from the State Bar. Similarly, the USPTO provides its own obligatory Rules of Professional Responsibility, codified in 37 C.F.R. 10. Unfortunately, some of the California rules and rules of other states differ substantially from the comparable rule in 37 C.F.R. 10. These differences in ethical obligations may result in a California attorney being placed in the unenviable position of having to simultaneously abide by incompatible rules of professional responsibility.

The USPTO has recently proposed sweeping new rules that relate to attorneys practicing before the Office. The proposed rules call for 37 C.F.R 10 to be abolished in its entirety and replaced with a new set of rules, 37 C.F.R. 11. The new rules will, if enacted as drafted, institute new procedures and requirements for taking the Registration Examination, determination of moral character, attorney discipline procedures, and continuing education, and will set forth new Rules of Professional Responsibility. The proposed changes are likely to have great impact on the ways in which attorneys and patent agents will practice before the Office. In particular, the proposed rules may present California attorneys with an impossible choice about which mandatory rule to follow in cases in which the California Code of Professional Responsibility and the Patent Office rules conflict with each other. To begin to address these complex issues, the Intellectual Property Section of the California State Bar has formed a Special Commission to review and comment upon the proposed new rules.

The Federal Register published the proposed rules in the December 12, 2003 issue, with a 60-day public comment period that was set to expire on February 10, 2004. Due to action by the I.P. Section, the State Bar President, the American Bar Association, and other interested parties, the public comment period has been extended by another 60 days, and is now set to expire June 11, 2004. If sufficient comments are submitted, with reasons why certain provisions should or should not be enacted, the USPTO may revise the proposed rules before their enactment. If there are only a few comments, the Office may enact the rules as they currently stand.

We encourage you to review the proposed rules and provide comments to the I.P. Section Special Commission on Patent Office Rules of Professional Responsibility and/or to provide your comments directly to the USPTO. The proposed rules can be found at:
http://www.uspto.gov/web/offices/com/sol/notices/68fr69442.pdf.

Although the proposed rules and their supporting material are very extensive, the I.P. Section encourages you to become familiar with the proposal and make your comments heard. Please send your comments to the I.P. Section Special Commission, c/o Ben Borson at http://www.ipcomments@ipsection.info. ☉

Ben Borson, J.D., Ph.D. for the Special I.P. Section Commission for USPTO Rules of Professional Responsibility.

disadvantage of the client unless the client consents.[18]

The USPTO Code permits, but does not require, revelation of confidences under specific circumstances including those enumerated in 37 C.F.R. § 10.57(C). However, the USPTO Code also contains rules that would not only permit, but also require a patent attorney to disclose client confidences to the USPTO. In particular, it is "misconduct" for a patent attorney to "engage in conduct involving dishonesty, fraud, deceit, or misrepresentation."[19] Such conduct specifically includes "knowingly violating or causing to be violated the requirements of § 1.56."[20] Rule 56 requires a patent attorney involved in the prosecution of a patent application to disclose to the USPTO all information known to the patent attorney to be material to patentability.[21] Information is material to patentability if it establishes a prima facie case of unpatentability of a claim, for example, as presented in the hypothetical above.[22]

Therefore, the USPTO Code explicitly requires a patent attorney to comply with the duty of candor set forth in Rule 56. Read together, Rule 56 and the USPTO Code require a patent attorney to disclose a client confidence where it is necessary to fulfill the patent attorney's duty of candor under Rule 56. Consequently, if Rule 56 is complied with by disclosure of information in compliance with this duty of candor, then the USPTO Code for preserving client confidences is not violated. As such, there appears to be a strong argument for the patent attorney in the hypothetical to disclose the "offer for sale" information to the USPTO.

STATE CODES OF CONFIDENTIALITY

A fundamental principle of the client-lawyer relationship is that the lawyer maintains the confidentiality of information relating to the representation. As discussed above, the USPTO code most likely preempts all state codes governing an attorney's conduct during the prosecution of patents. However, any preemption by the USPTO code would only be applicable for activities before the USPTO and not for activities governed by the state codes. Conduct in compliance with the USPTO code may not absolve an attorney from disciplinary action by a state for the conduct, if such conduct violates a state bar's codes of professional conduct.

ABA AND MAJORITY OF STATES

Most states have adopted the American Bar Association Model Rules of Professional Conduct (ABA Model Rules) or a version of the ABA Model Rules. Although differences exist in the professional responsibility rules of these states, most state bars, except for the State Bar of California, provide for the preservation of client confidences by an attorney. ABA Model Rule 1.6(a) states that a "lawyer shall not reveal information relating to representation of a client unless the client consents after consultation . . . ." Although ABA Model Rule 1.6(b) provides exceptions to this confidentiality rule, such as for acts likely to result in imminent death or substantial bodily harm, there is no fraud exception as may be applied to the hypothetical given above.

However, some states that have adopted differing versions of the ABA Model Rules do provide exceptions that may encompass the above hypothetical. For example, Massachusetts permits revealing confidential information for acts that will cause substantial injury to the financial interests or property of another.[23] Texas' state professional responsibility rules permit revealing a client's confidential information to prevent the client from committing a crime or a "fraudulent act."[24] Therefore, if the above hypothetical were encountered by a patent attorney practicing in Texas, it appears that such an attorney *could* disclose the client's confidential activities to the USPTO without fear of disciplinary action by the Texas State Bar.

It has been recently reported that the ABA board has voted to loosen ethics rules to allow lawyers to ignore client confidentiality rules and tell authorities of clients engaged in corporate fraud.[25] Although such loosening of rules is in response to the permissive disclosures under the Securities and Exchange Commission's (SEC) new regulations that took complete effect August 5, 2003 as mandated by the SO Act, it may also have application in the disclosure of material information to the USPTO.

CALIFORNIA

Patent attorneys practicing in California are in a unique situation in that California is the only state that has not adopted either the ABA Model Code or a version of the ABA Model Code. There is no explicit rule of professional conduct in California to protect the confidentiality of client communications.[26] However, the California Rules of Professional Conduct state "a member shall not knowingly assist in, solicit, or induce any violation of these rules or the State Bar Act."[27] The State Bar Act, also known as the California Business and Professions Code, states it is the duty of an attorney to "maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client."[28] In addition, Rule 3-600 of the California Rules of Professional Conduct further recognizes this paramount duty of a California attorney by stating that an attorney "shall not violate his or her duty of protecting all confidential information as provided in Business and Professions Code section 6088, division (e)."

It should be noted that the California Rules of Professional Conduct 5-220 requires that an attorney shall not suppress any evidence that there is a legal obligation to reveal or produce. California Business and Professions Code § 6068(d) has a similar requirement. These requirements would seem to apply to the disclosure of material information to the USPTO as presented in the hypothetical. However, the aforementioned California Business and Professions Code section 6068(e) appears strict and is mandatory, even if it causes peril to a patent attorney, for example, in the form of disciplinary action by the USPTO.

Therefore, if the duty of confidentiality imposed by California Business and Professions Code section 6068(e) is paramount over the USPTO Rule 56 duty of candor, and the patent attorney does not disclose the information to the USPTO, the duty of candor may be breached, potentially resulting in USPTO disciplinary actions against the patent attorney. If the patent attorney discloses the client's confidential information to the USPTO to comply with Rule 56, California Business and Professions Code section 6068(e) may be breached, potentially resulting in disciplinary action by the California State Bar.

CASE LAW

There appears to be no case law on point that expresses a majority opinion regarding the apparent conflict between a patent attorney's duty under the USPTO rules and the patent attorney's duty to the client with respect to maintaining the confidences of a client. There appear to be indications that would favor the opinion that the patent attorney's duty to the client is paramount. For example, Judge Newman states in a concurring opinion in *Molins PLC v. Textron, Inc.,* 48 F.3d 1172, 1192 (Fed. Cir. 1995) that "an attorney's ethical obligation to each client is not erased when a possible conflict occurs in the USPTO. That privilege is the client's, not the lawyer's. The USPTO rules can not be interpreted to require otherwise."

Can this conflict be resolved? Unfortunately, the answer currently appears to be "no." Patent attorneys are left to deal with a conflicting mix of state bar professional rules of conduct, case law, and statutes (most recently the SO Act as discussed below).

WITHDRAWAL AS A SOLUTION

Some might argue that the solution is, and as required by USPTO Code, for the patent attorney to withdraw from client representation in such a conflict.[29] The USPTO Code provides that a practitioner shall not withdraw from employment in a proceeding before the Office without permission from the Office.[30] There are two categories of withdrawal. First, a practitioner shall withdraw from employment if the practitioner knows or it is obvious that the practitioner's continued employment will result in violation of a Disciplinary Rule.[31] This first type of withdrawal is known as Mandatory Withdrawal. In the second type of withdrawal, a practitioner may request permission to withdraw if the petitioner's client insists that the practitioner pursue a course of conduct that is illegal or that is prohibited under a Disciplinary Rule[32] or if the practitioner's continued employment is likely to result in a violation of a Disciplinary Rule.[33] These two scenarios are classified as Permissive Withdrawal. Under one line of reasoning, by withdrawing and advising the client of the law, and the consequences of the failure to disclose the information to the USPTO, the patent attorney has done what he or she could to uphold the law.

There has been at least one case where a client revoked an attorney's representation power because the attorney intended to disclose information to the USPTO that the client wanted to maintain confidential.[34] Whether a patent attorney withdraws or a client terminates representation may not necessarily absolve the patent attorney's duty to disclose the material information under Rule 56. No time frame is specified for the duty of candor in Rule 56 beyond that the duty "exists with respect to a pending claim until it is canceled or withdrawn from consideration or the application becomes abandoned."[35] Furthermore, Rule 56 states that the individuals associated with the duty are each "attorney or agent who prepares or prosecutes the application."[36] Again, no time frame is specified with respect to such person's duty. Moreover, the rule does not specify whether the duty pertains only during the time when such attorney is authorized to represent the client on whose behalf the patent attorney acts.

Arguably, under Rule 56 the patent attorney had a duty to disclose the information the instant the patent attorney became aware of it, which would have occurred prior to any withdrawal or revocation of representation. Under such reasoning, the mere fact that the patent attorney is no longer acting in a representative capacity does not relieve the patent attorney from complying with the duty the patent attorney had while acting in a representative capacity. The patent attorney may still be required to disclose the information in order to comply with Rule 56 and, more importantly, the USPTO Code. Again, it is "misconduct" for an attorney to "engage in conduct involving dishonesty, fraud, deceit, or misrepresentation."[37] Such conduct specifically includes "knowingly violating or causing to be violated the requirements of § 1.56."[38] Therefore, even after the patent attorney is no longer acting in a representative capacity, by remaining silent in this case, the patent attorney may be violating Rule 56. Further, the USPTO Code states that "a practitioner who receives information clearly establishing that a client has in the course of the representation, perpetrated a fraud upon a tribunal shall promptly call upon the client to rectify the same, and if the client refuses or is unable to do so the practitioner shall reveal the fraud to the tribunal."[39] As such, by not disclosing the information to the USPTO, the patent attorney may be in violation of both Rule 56 and Rule 10.85 of the USPTO Code, even if the patent attorney withdraws from client representation.[40]

SARBANES-OXLEY ACT

OVERVIEW AND APPLICATION TO ETHICAL CONFLICT

As mentioned in the Introduction, the SO Act was intended to protect the public from corporate fraud by requiring stricter standards for corporate governance, accounting, and financial disclosure. While the SO Act does not explicitly refer to the patent activities of a corporation, both the SO Act and the SEC regulations ("SEC Regulations") implementing standards of professional conduct for attorneys[41] may affect both the in-house and outside counsel's practice of law for patent matters before the USPTO.

The SO Act applies to publicly traded companies and creates federal protection for whistleblowers by preventing companies from taking adverse action against an "employee" for reporting certain company misconduct.[42] The SO Act applies to an employee of a company who, among other activities, files, participates, or assists in any proceeding relating to an alleged violation of securities laws or any provision of Federal law relating to fraud against shareholders.[43] It should be emphasized that the whistleblower protection provision of the SO Act does not appear to apply to outside counsel because they are not considered "employees" of the company, as required by the SO Act. However, the SO Act does apply to in-house counsel. In the above hypothetical, if the patent attorney is in-house counsel for a company, then the SO Act is applicable to him or her.

The SO Act includes rules of professional responsibility for attorneys that require them to initially report evidence of a material violation of securities laws or breach of fiduciary duty or similar violation by the company, or any of its agents, to the chief legal counsel or the chief executive officer.[44] If the counsel or office does not appropriately respond to the evidence, the attorney is required to report the evidence to the board of directors.[45] Assume that in the above hypothetical the patent attorney has done so but his or her efforts have gone unheeded. Can the patent attorney disclose the presumed fraudulent activity to the USPTO under the provisions of the SO Act?

While the SO Act was designed to deter securities fraud by increasing the reliability and accuracy of corporate reporting, accounting, and auditing practices, the scope of the SO Act may also encompass a company's patent prosecution activities before the USPTO. Because the procurement of a patent may affect a company's stock price,[46] the fraudulent procurement of a patent (e.g., under the facts of the hypothetical) may be a violation of securities law[47] that triggers application of the SO Act. Furthermore, the whistleblower protection provision of the SO Act may also encompass information provided by an employee of a company to the USPTO because the language of the SO Act refers to information relating to fraud against shareholders provided to "a Federal regulatory agency."[48] The USPTO is a Federal regulatory agency and Rule 56 is a provision of federal law that relates to preventing fraud on the public, of which shareholders are members, thereby conceivably triggering application of the SO Act. Moreover, the language of § 1514A(a)(1)(a) of the SO Act appears to apply even outside the context of an investigation conducted by such a Federal regulatory agency.

Therefore, it appears that if the patent attorney in the above hypothetical is an in-house attorney, the SO Act may enable the in-house attorney to provide information directly to the USPTO (i.e., a Federal regulatory agency)[49] and gain whistleblower protection under the SO Act against retaliation by the company for disclosing the fraudulent activity. Even though the in-house attorney may be safe from retaliation by the company, such a disclosure by the in-house attorney runs afoul of a state's professional codes on maintaining client confidentiality as discussed above.

At first glance, the SEC Regulations may seem to provide a safe harbor against disciplinary action by a state bar. Whether or not an attorney representing a company is in-house or outside counsel, the SEC regulations implementing the SO Act provide a safe harbor against state bar disciplinary action if an attorney complies in "good faith" with the SO Act by disclosing fraudulent activity.[50] However, a close inspection of the language of the Sanctions and Disciplines Section of the SEC Regulations[51] reveals that the good faith provision of the SEC Regulations only applies to activities of "an attorney appearing and practicing before the [Securities and Exchange] Commission." In other words, an attorney disclosing a company's fraudulent activities to the USPTO would not be accorded the protection of the SEC Regulations against a state's disciplinary action.

The outcome may be different if the attorney first discloses the fraudulent activity to the SEC, thereby potentially making that information public. If the information disclosed to the SEC becomes public, any subsequent disclosure of that information to the USPTO may not constitute a disclosure of confidential information. However, it can also be argued that the attorney who seeks safe harbor under the SEC regulations is merely skirting the ethical duty to maintain client confidentiality by reporting to the SEC first, even though the attorney's actual intention is to disclose the client's confidential information to the USPTO. In effect, client confidences are still being disclosed, albeit indirectly, which could still subject the patent attorney to sanctions by a state bar. Assuming for the sake of further analysis that the prior disclosure of the fraudulent activity to the SEC "cleanses" the subsequent disclosure to the USPTO, to what extent does the "good faith" provision of the SEC Regulations preempt state codes of professional conduct?

PREEMPTION OF STATE RULES

Unresolved conflicts between protection under the SO Act and state professional responsibility rules place attorneys in a crossfire. In July 2003, the SEC's general counsel released a letter in response to Washington State Bar Association's (WSBA) proposed opinion ("WSBA Proposed Opinion") [52] on the effect of the SEC Regulations on a Washington attorney's obligations. The letter asserted that state bar associations were pre-empted by the SEC Regulations from disciplining an attorney who made voluntary disclosures of client confidences to the SEC in reliance on its rules.[53] In response, several state bar associations have notified, or are in the process of notifying, their attorneys that in absence of a judicial ruling in favor of the SEC's preemption claim, the state bars will continue to enforce their rules against disclosure of client confidences.

At its July 25-26 board meeting, the WSBA Board of Governors approved and adopted the WSBA Proposed Opinion as an Interim Formal Ethics Opinion and subsequently notified its attorneys not to disclose client information allowed by the SO Act unless such disclosures are permitted by the state's own professional conduct rules.[54] Washington's rules of professional conduct only allow attorneys to disclose client confidential information to prevent the client from committing a crime or pursuant to a court order. The notification was issued in an interim formal ethics opinion adopted by Washington State Bar's Board of Governors on July 26, 2003.[55] The opinion is only an interim opinion because of a lack of case law on when SEC regulations pre-empt state ethics rules, and because the bar is considering changes to the state's professional conduct rules on revealing client confidences.[56] The Washington State Bar also warned that an attorney cannot rely on the "good faith" provision of the SO Act as a defense against a violation of its professional conduct rules.[57] The "good faith" provision of the SO Act attempts to protect attorneys from potential disciplinary action under inconsistent state standards if the attorney complies in good faith with the SO Act.[58]

The Corporations Committee of the State Bar's Business Law Section also sent a letter to the SEC notifying it that the disclosure rule (17 C.F.R. § 205.3(d)(2)) conflicts with California law.[59] The committee also notified the SEC that in the absence of an appellate judgment in favor of the SEC's preemption claim, the California State Bar may not refuse to enforce California Business and Professions Code section 6068(e). The letter notes that the positions set forth in the letter are only those of the Corporations Committee and have not been adopted by the State Bar's Board of Governors or its members and are not to be construed as representing the position of the State Bar of California.[60] However, the Corporations Committee has asked the California State Bar's committee on professional responsibility to assist in preparing an education ethics alert on this issue. Completion of the alert was expected before the end of 2003.[61]

PATENT AGENTS

Would the outcome of the above hypothetical be different if the practitioner was a patent agent rather than a patent attorney? A patent agent is not subject to the same state bar licensing rules of professional conduct as a patent attorney. A patent agent is bound by the USPTO Code. As discussed above, a patent agent would most likely be required to disclose the information to the USPTO, while not being subject to the potential disciplinary action that may result from a state bar's codes of professional conduct.[62] Furthermore, if the patent agent is an "employee" of a publicly traded company, the whistleblower protection of the SO Act would also be available to the patent agent. This presents a dichotomy between the patent attorney and the patent agent under identical situations. However, a patent agent may also be subject to a state's business codes.

CONCLUSION

What is a patent attorney to do? It seems that the answer may depend on which state the patent attorney is practicing in, with the heavier burden carried by attorneys practicing in California and in states with rules of professional conduct similar to California's. Although California and similar states require an attorney to preserve a client's confidence at peril to the attorney, is such an action in the best interest of a client when the confidence relates to the perpetuation of a fraud that may become public in the course of time and thereby ultimately harm the client in the form of legal actions and negative publicity? Texas' state bar, for example, has deemed that it may be in the public's best interest, and possibly that of a client, that an attorney disclose the fraudulent acts of a client. However, it appears that Washington's and California's state bar associations differ.

Clearly there appears to be no ethically or legally "correct" decision on whether the client's or the public's interest is paramount based on the conflict of directives from the federal government and the state bars. What about the best interest of the attorney? Should each individual attorney be forced to make his or her own ethical decision in this matter, particularly when the decision can carry with it the loss of either a state or federal license? Licensing has its privileges and burdens. Until some resolution is provided by the state bars, the federal government, or the judiciary, the answer may come down to which licensing is preferable to the individual: state licensing to continue practicing as an attorney in matters other than patent prosecution or federal USPTO licensing to continue practicing in the capacity of a patent agent.⊙

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Endnotes

1 E.g., *Argus Chem. Corp. v. Fibre Glass-Evercoat Co. Inc.*, 759 F.2d 10 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 903 (1985).

2 A person shall be entitled to a patent unless – (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .

3 Assume for the sake of the hypothetical that the client is either a sole inventor or, if a company, that the attorney's communica-

tions have been with the chief legal counsel, CEO, and/or board of directors.

4 Stocks of publicly traded companies have risen on news of a patent issuance. E.g., *TIVO Obtains Patent for PVR Stock Soars 72 Percent on News*, S.J. Mercury News, May 25, 2001, at 4C.; Genron's stock jumped nearly 15 percent after the company announced it received a patent related to the creating of medicines from human embryonic stem cells. *Genron Stock Jumps on Patent News,* S.J. Mercury News, June 11, 2003, at 5C. These examples are only meant to illustrate the connection between a patent issuance and a company's stock price and are in no way intended to imply a connection between the noted companies and the hypothetical of this article.

5 This article and, in particular, the hypothetical presented herein are not based upon any actual situation that the authors, or the authors' firm, are involved in as counsel of record. Furthermore, the views expressed herein are those of the authors and not the authors' firm or its clients, and should not be construed as legal advice by the authors or the authors' firm, but are merely provided to facilitate discussion of the issues presented.

6 37 C.F.R. § 1.56(a) (2003).

7 This article does not address the consequences to the client and patent application resulting from a violation of Rule 56.

8 Disciplinary action for violation of a Disciplinary Rule may include reprimand, or suspension or exclusion from practice of law before the USPTO. *see* 37 C.F.R. §§ 10.130, 10.158 (2003).

9 American Bar Association Model Rules of Professional Conduct, Rule 1.6; California Business & Professions Code § 6068(e) (2003).

10 37 C.F.R § 10.57 (2003).

11 Confidentiality and attorney client privilege are different concepts. Confidentiality is a broad rule of professional conduct that prevents disclosure of any information related to the representation of a client. Attorney client privilege is a narrower evidentiary rule that protects against an attorney's compelled disclosure of confidential communication between the attorney and the client. While confidentiality is a basis for the attorney client privilege, the duty of confidentiality arises outside of the context of a legal proceeding. This article does not address the issue of attorney-client privilege that may also arise in the given hypothetical.

12 See note 10.

13 37 C.F.R. § 10.1 (2003).

14 37 C.F.R. § 10.1 (2003). This part 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.

15 37 C.F.R. § 10.56 (2003).

16 37 C.F.R. § 10.57(a) (2003).

17 37 C.F.R. § 10.57(a) (2003).

18 37 C.F.R. § 10.57(b) (2003).

19 37 C.F.R. § 10.23(b) (2003).

20 37 C.F.R. § 10.23(c)(10) (2003).

21 37 C.F.R. § 1.56(a) (2003).

22 A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability. 37 C.F.R. § 1.56(a),(b) (2003).

23 Massachusetts Rules of Professional Conduct 1.6(b)(1) (2003).

24 Texas Disciplinary Rules of Professional Conduct 1.05(c)(7) (2003).

25 What's News, Wall Street J., August 12, 2003, at A1.

26 California Rules of Professional Conduct (2003).

27 California Rules of Professional Conduct 1-120 (2003).

28 California Business and Professions Code § 6068(e) (2003).

29 37 C.F.R. § 10.40 (b)(2), 37 C.F.R. § 10.40 (c)(1)(iii), 37 C.F.R. § 10.40 (c)(2) (2003).

30 37 C.F.R. § 10.40(a) (2003).

31 37 C.F.R. § 10.40(b)(2) (2003).

32 37 C.F.R. §10.40(c)(1)(iii) (2003).

33 37 C.F.R. § 10.40(c)(2) (2003).

34 *Semiconductor Energy Lab. Co. v. Samsung Elec. Co.,* 4 F. Supp. 2d. 477, 488. (E.D. Va. 1998)

35 37 C.F.R. § 56(a) (2003).

36 37 C.F.R. § 56(c)(2) (2003).

37 37 C.F.R. § 10.23(b) (2003).

38 37 C.F.R. § 10.23(c) (2003).

39 37 C.F.R. § 10.85(b) (2003).

40 Also consider that the client may have attempted to cure the fraudulent activity after the attorney's withdrawal/dismissal without the attorney's knowledge of such cure. For example, the client may have subsequently canceled claims that would have been barred by the "offer for sale" activity. As such, the attorney may no longer be in a position after withdrawal/dismissal to determine whether the "offer for sale" activity is still material. Cf. *Li Second Family Ltd. Partnership v. Toshiba Corp.,* 231 F.3d 1373, 1380 (Fed. Cir. 2000), *cert. denied*, 121 S. Ct. 2250 (2001) ("Information concealed from the PTO may be material even though it would not invalidate the patent").

41 Implementation of Standards of Professional Conduct for Attorneys, 17 C.F.R. § 205 (2003).

42 Sarbanes-Oxley Act 18 U.S.C. § 1514A (2002).

43 Sarbanes-Oxley Act 18 U.S.C. § 1514A (2002).

44 Sarbanes-Oxley Act § 307(1) (2002).

45 Sarbanes-Oxley Act § 307(2) (2002).

46 See note 6.

47 Sarbanes-Oxley Act 18 U.S.C. § 1514A (2002).

48 Sarbanes-Oxley Act 18 U.S.C. § 1514A(a)(1)(a) (2002).

49 Sarbanes-Oxley Act 18 U.S.C. § 1514A(a)(1)(A) (2002).

50 17 C.F.R. § 205.6(c) (2003).

51 17 C.F.R. § 205.6(a) (2003).

52 The WSBA Proposed Opinion was to be considered at the WSBA's Board of Governors annual meeting.

53 Public Statement by SEC Official: *Letter Regarding Washington State Bar Association's Proposed Opinion on the Effect of the SEC's Attorney Conduct Rules,* Giovanni P. Prezioso, General Counsel, U.S. Securities and Exchange Commission, July 23, 2003.

54 *Interim Formal Ethics Opinion Re: The Effect of the SEC's Sarbanes-Oxley Regulations On Washington Attorney's Obligations Under the RPCs,* as approved and adopted by WSBA Board of Governors on July 26, 2003, available at the Washington State Bar Association website: www.wsba.org.

55 Washington State Bar Association, July 26, 2003.

56 *Id*. at n1.

57 *Id*. at 7.

58 17 C.F.R. § 205.6(c) (2003).

59 Corporations Committee Business Law Section, Letter to Giovanni P. Prezioso, General Counsel, SEC. August 13, 2003, available at the California State Bar website: http://www.calbar.ca.gov.

60 *Id*. at 8-9.

61 Attorneys Cautioned on Sarbanes-Oxley Disclosure, California Bar Journal, October 2003, www.calbar.ca.gov.

62 This assumes that the patent agent is working independently and not under the direction of a patent attorney.