In-house counsel ethical conundrum and pitfalls for the unwary

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A Selection of Ethical Conundrum for In-House Counsel

- In-House Pro Bono Programs
- Prosecution
- Competitive Intelligence Considerations
- Due Diligence Activities
- Insider Trading/Stock Options
In-House Counsel Pro Bono Programs

- Ethical Obligation

- ABA Model Rules of Professional Conduct, Rule 6.1 Voluntary Pro Bono Public Service

Public Service:
Every lawyer has a professional responsibility to provide legal services to those unable to pay. A lawyer should aspire to render at least (50) hours of pro bono public legal services per year.
In-House Pro Bono

**Definition of Pro Bono**
- ABA Model Rules of Professional Conduct. Rule 6.1

**Common Elements**
- Persons of Limited Means
- Organizations that Serve Persons of Limited Means
- Financial Contributions
In-House non-locally licensed attorneys

In-House Counsel Participation

- Almost half of the jurisdictions **ARE SILENT** on whether non-locally licensed in-house counsel are also able to provide pro bono services. Those jurisdictions that do often impose restrictions.

- In Association with an Approved Legal Organization

- Under Supervision
ABA Model Rules of Professional Conduct: Rule 1.7 Conflict Of Interest: Current Clients:

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), lawyer may represent a client if:

(1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;

(2) the representation is not prohibited by law;

(3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and

(4) each affected client gives informed consent.
Conflict of Interest?

- A **conflict of interest** is a situation in which someone in a position of trust, such as a lawyer, has competing professional or personal interests.

- Competing interests can make it difficult to fulfill his or her duties impartially.

- APPEARANCE of impropriety
In-House Pro Bono, Engagement Letters

ABA Rules of Professional Conduct, Rule 1.2 Scope Of Representation And Allocation Of

Authority Between Client And Lawyer:
- (c) A lawyer may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.
Training and Diligence

- **ABA Model Rules of Professional Conduct. Rule 1.1 Competence:**
  A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.

- **ABA Model Rules of Professional Conduct. Rule 1.3 Diligence:**
  A lawyer shall act with reasonable diligence and promptness in representing a client.
Pitfalls for the Unwary Day-to-Day Patent work

- Declarations (regarding prior art references)
- Applications, USPTO Forms
- Inventor Declarations
- Information Disclosure Statements
- Correction of Inventorship
- Retroactive request for foreign filing license
- Revival of abandoned application
- Revival for failure to pay maintenance fees
- New Expediting Process (distinguishing claims from public references)
The Duty to Disclose Information to the USPTO

- Each individual associated with the filing and prosecution of a patent application has a duty to disclose all known information that is material to patentability – 37 C.F.R. § 1.56

- Duty continues throughout prosecution until patent is granted

- Considerations after grant...
Disclosing Information to Patent Office

Co-pending applications

- There is a duty to disclose rejections in co-pending applications when the pending and rejected claims are **substantially similar**.

- “Although examiners are not bound to follow other examiners’ interpretations, **knowledge of a potentially different interpretation** is clearly information that an examiner could consider important when examining an application.”

- **McKesson Information Solutions v. Bridge Medical**, 487 F.3d 897 (Fed. Cir. 2007).
Office of Enrollment and Discipline

In re Chan (D2011-21)
- Had clients sign oaths or declarations prior to any application preparation, thus violated the oath that person reviewed the application
- Reprimanded

In re Bollman (D2010-40)
- Filed 6 boxes of IDS documents in 4 cases
- Failed to read, review, or inspect any of them
- Disregarded an applicable protective order
- Thus, made false certifications to the Office
- Reprimanded
Due Diligence Considerations

- Zealous advocate

- Protecting/Respecting Trade Secret Information

- In-House Counsel participation in calls and review of confidential information
  - How do we learn chemistry, medicinal chem?
  - How do we turn knowledge off?
  - Do we have knowledge that would benefit our client? Tainted?
  - Merck case - amended claims
Insider Trading/Stock Options

- US v Klein et.al.
- Be extremely cautious when trading stock within your industry (or your company)
  - Generally, be VERY cautious if you trade individual stocks within your industry
  - Be particularly cautious when trading stock of your employer company
  - Extreme caution if you know about a corporate “deal”

- Kaye v. Rosefiede
- Rules 1.5 (Unreasonable fees), 1.7 (Conflicts of Interest), and 1.8 (Business Transactions)
  - Terms in writing
  - Fair and reasonable
  - Advise to seek independent legal counsel
Collecting Competitive Intelligence

- Primary Intelligence gathering - advice
- Protecting and Respecting Trade Secret Information
- Improper acquisition of trade secret information
Inventor submitted a Rule 131 declaration that included a false statement regarding a date of reduction to practice.

Prosecution attorney filed a revised 131 declaration but failed to expressly advise the PTO about the misrepresentations during prosecution.

District Ct. granted HTC’s motion for adverse inference and held that Paul Gibbons and David Mahalek and were liable under 28 USC 1927 for unreasonable and vexatious multiplication of proceedings in the HTC litigation.

- In re David Mahalek, D2016-31, suspended 18 mos.
- In re Paul Gibbons, D2016-15, suspended 18 mos.
In-House responsibility for declarations


- Patent attorney filed Rule 131 declaration re: reduction to practice with USPTO.

- Attorney learned that the inventor did not review the declaration and that declaration contained inaccurate information. Respondent did not advise the Office in writing of the inaccurate information and did not fully correct the record in writing.
Declarations conclusions...

- District court held resultant patent unenforceable due to inequitable conduct, in part, because of false declaration. Federal Circuit upheld.
- **Must expressly advise PTO of existence of misrepresentation, stating specifically where it resides.**
- Make it clear that further examination may be required if PTO action may be based on the misrepresentation.
- It does not suffice to merely supply the Office with accurate facts without calling attention to the misrepresentation.
- 4 yr. suspension (eligible for reinstatement after 2 years).
Scenario 1

“Are you drunk?”

Hello, My Name Is:

Alexander Smith
David Jones
Scenario 1
Misconduct, Duties, Competence, Candor, Supervision

Primary Issues
- Misconduct (37 C.F.R. § 11.804)
- Duties of disciplined practitioner (37 C.F.R. § 11.58)
- Competence (37 C.F.R. § 11.101)
- Communication (37 C.F.R. § 11.104)
- Candor toward the tribunal (37 C.F.R. § 11.303)
- Responsibilities of partners, managers, and supervisory practitioners (37 C.F.R. § 11.501)
- In re Schroeder, Office of Enrollment and Discipline, D2014-08
- In re Tassan, Office of Enrollment and Discipline, D2003-10
Scenario 2
Scenario 2
Scope of Representation, Communication, Fees

Primary Issues
- Scope of representation (37 C.F.R. § 11.102)
- Communication (37 C.F.R. § 11.104)
- Fees (37 C.F.R. § 11.105)
- Competence (37 C.F.R. § 11.101)
- Meritorious Claims and Contentions (37 C.F.R. § 11.301)
- Candor Toward the Tribunal (37 C.F.R. § 11.303)
Scenario 3

Trans American Corporation

Elaine Dickinson
Roger Murdock

M&A
Pat.

Rumack, Inc.

Rex Kramer
AutoLight

CTO

Ted Striker
OttoLight
Scenario 3
Conflicts, Confidentiality, Supervision, Communication

Primary Issues
- Truthfulness in statements to others (37 C.F.R. § 11.401)
- Misconduct (37 C.F.R. § 11.804)
- Confidentiality (37 C.F.R. § 11.106)
- Diligence (37 C.F.R. § 11.103)
- Reporting (37 C.F.R. § 11.803)
Scenario 4

The Small Firm

Attorney Sam Small

Agent Dave

Pat.

TM

Dr. Walter White
Scenario 4
Competence, Limited Recognition, Discipline, & Practicing Law

Primary Issues
- Competence (37 C.F.R. § 11.101)
- Limited Recognition (37 C.F.R. § 11.9)
- Reciprocal Discipline (37 C.F.R. §§ 11.24 and 11.7)
- Who may practice before the office (37 C.F.R. § 11.14)
- Unauthorized Practice of Law (37 C.F.R. §11.505)
- Fees (37 C.F.R. §11.105)
- Unauthorized practice of law (37 C.F.R. §11.505)
Scenario 5

Client
Kahn Enterprises

Past Client
Mr. Green

Firm

Attorney
Mrs. Peacock

The Candela-braha!

TM  C  Pat.

Attorney
Dr. Plum
Scenario 5
Competence, Diligence, Fees, Confidentiality, & Conflicts

Primary Issues
- Competence (37 C.F.R. § 11.101)
- Diligence (37 C.F.R. § 11.103)
- Fees (37 C.F.R. § 11.105)
- Confidentiality (37 C.F.R. § 11.106)
- Conflicts (37 C.F.R. §§ 11.107 and 11.108)
- Declining Representation (37 C.F.R. § 11.116(a)(1))
- Misrepresentation (37 C.F.R. § 11.804(c))
Scenario 6

Firm X
Chris White
David Jones

Company Y
Client A
Daughter
Client B
Friend and Business Partner
Client C
Scenario 6
Competence, Scope, Communication, Confidentiality, & Conflicts

Primary Issues
- Competence (37 C.F.R. §§ 11.101 and 11.804)
- Scope of representation (37 C.F.R. § 11.102)
- Communication (37 C.F.R. § 11.104)
- Confidentiality (37 C.F.R. § 11.106)
- Conflicts (37 C.F.R. §§ 11.107 and 11.108)
- Responsibilities of partners, managers, and supervisory practitioners (37 C.F.R. § 11.501)
- Professional independence of a practitioner (37 C.F.R. § 11.504)
- Refusing to accept or continue representation (37 C.F.R. §§ 11.116)

Relevant Cases
- In re Blackowicz, Office of Enrollment and Discipline, D2015-13
Scenario 7
Scenario 7
Competence, Scope of Rep., Communication, Fees, & Misconduct

Primary Issues
- Competence (37 C.F.R. § 11.101)
- Scope of the Representation (37 C.F.R. § 11.102)
- Communication (37 C.F.R. § 11.104)
- Fees (37 C.F.R. § 11.105)
- Misconduct (37 C.F.R. § 11.804)