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By

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1. Introduction

Title 35 authorizes a trial court in its discretion to increase the damages awarded for patent infringement to a maximum of three times.¹ One basis for awarding so-called “enhanced” damages is if the infringer “acted in wanton disregard of the patentee’s patent rights, that is, where the infringement is willful.”² Willful infringement arises where a potential infringer has actual notice of another’s patent and fails to exercise due care to determine whether their continued activities would infringe a valid, enforceable patent.³

One important factor in determining whether an accused infringer met its duty of care is whether it sought legal advice before continuing its activities.⁴ Where it obtains such advice, the issue becomes whether it reasonably relied upon that opinion in continuing its activities.⁵ Combining the roles of opining and litigating create risks for the client that may not arise as acutely when the roles are kept separate.

2. The Risks of Combining Roles

A. Financial Bias

A client that obtains an opinion of counsel regarding the invalidity, unenforceability, or non-infringement from a firm that provides litigation services to that client may have the opinion attacked as having been obtained from a financially interested attorney. The range of fact patterns that can create this risk no doubt are many. An acute example arose in Yamanouchi Pharmaceutical Co. v. Danbury Pharmacal, Inc.,⁶ which involved an Abbreviated New Drug Application (ANDA). A generic drug producer can file an ANDA asserting invalidity of a drug patent.⁷ If successful, the producer can start to market the drug prior to expiration of the patent.⁸ However, if unsuccessful, then the court must determine

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² Read Corp. v. Portec, Inc., 970 F.2d 816, 826 (Fed. Cir. 1992) (citations omitted).
whether the filing of the ANDA—a sort of constructive infringement—was done in bad faith, justifying a determination of “exceptional case.”

In *Yamanouchi*, the generic drug manufacturer, Schein, had retained outside counsel, Engelberg, to argue bases for invalidity of the patent-in-suit. The court described their arrangement:

Schein contracted . . . with outside counsel Engelberg to identify up to six potential challenges to existing drug patents and to provide written invalidity opinions to Schein . . . . Once Engelberg chose the various challenges, Schein would then go forward with development of the pertinent drugs, providing that a commercial market for the drug existed and the raw materials necessary to its production were available. Engelberg was not to be directly compensated for writing the challenge opinions, but instead would receive fifty percent of the “Marginal Gross Profit” of any of the drugs’ sales if its corresponding patent challenge was successful. Additionally, if Engelberg himself defended in the litigation flowing from a challenge, Schein was not to pay fees for his services. If he delegated that function to another law firm, Schein was required to pay the relevant fees, but the same would then be deducted from Engelberg’s eventual profit share. The arrangement, however, did contemplate that an award of attorneys’ fees could be imposed against Schein as to any of the identified challenges and that Schein alone would be responsible for such an event.

At trial, the court found the patent valid and infringed by the filing of the ANDA. The court then concluded that the filing of the ANDA was willful infringement: “Here, the only legal opinion Schein was willing to present was formulated by Engelberg, an attorney with a stake in the outcome . . . .”

How strong the bias Engelberg faced is debatable. On the one hand, he did share in revenues if his opinion was sustained in litigation – and only then. On the other, if litigation was necessary, its expenses were deducted from his portion. Arguably, the problem was that he was paid only if invalidity was established, and thus his opinion could not be reasonably viewed as objectively unbiased in the form necessary to avoid willfulness: he had a stake in the outcome.

Does the argument of bias have the same purchase where, for example, a patent firm has a contingent interest in litigation over a patent in which it gave an opinion? For example, if a firm provides an opinion to the accused infringer in a case where it also takes a reverse contingency fee in defending a

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10. *Id.* at 375.
11. *Id.* at 376-77.
12. *Id.* at 377.
subsequent infringement suit, the same bias exists: the firm arguably has a stake in the outcome much as did Engelberg.

There is little guidance on this issue. Obviously, the totality of the circumstances should come into play. The timing of the opinion, the type of contingent fee arrangement, and—of course—the totality of the circumstances must be considered in determining how much weight, if any, to give to an opinion from an interested attorney. Finally, even if financial bias is not present, the credibility issues created by using the same attorney to litigate as opine need to be examined. It may be, for example, that juries may be less likely to give weight to opinions drafted by trial counsel.13

B. Advocate-as-Witness Disqualification

A lawyer who provides an opinion of counsel about a patent is likely to be subject to deposition14 and one who combines the opining role with a role in litigation is likely to face a motion to disqualify based upon the advocate-as-witness rule. Whether disqualification under the advocate-as-witness rule would be required has split the courts. Some courts reason that disqualification may be required, but others deny the motions because the attorney’s role in preparing the opinion and the client’s receipt of it are likely to be uncontested.15

13. In extreme cases, such as where a trial court has found a prima facie case of inequitable conduct, sufficient to pierce the privilege, an unconsentable conflict could arise. See MODEL RULES Rule 1.7(b)(1) (consent may not be obtained where a reasonable lawyer cannot competently and diligently represent a client). Where a lawyer’s own conduct has been found on its face to render a client’s patent unenforceable, potentially subjecting the client to money damages and giving the client a cause of action against the lawyer, the conflict between the lawyer’s interest and the client’s are likely so severe that consent would not be appropriate to even request.


15. The few courts that have analyzed whether an opining-litigator must be disqualified under the advocate-as-witness rule have split. Compare Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., No. 95 Civ. 8833(RPP), 2000 WL 1655054, at *2 (S.D.N.Y. Nov. 3, 2000) (denying motion to disqualify opining-litigator on grounds that it was uncontested that he had provided the opinion and so disqualification was improper), and Amsted Ind. Inc v. Nat’l Castings, Inc., No. 887, 1990 WL 106458 (N.D. Ill. June 22, 1990) (holding that opining-litigator was not required to testify as to foundation of opinion), with Rohm Haas Co. v. Lonza, Inc., No. Civ.A. 96-57, 1999 WL 718114, at *1 (E.D. Pa. Sept. 7, 1999) (granting motion to disqualify opining-litigator). Whether disqualification of an opining-litigator is appropriate would turn on whether his testimony in the particular case would be necessary. Most often, where it is reliance by the client on the opinion and not preparation of the opinion which is in issue, disqualification would not be appropriate since the fact that the lawyer prepared the opinion would be an uncontested issue. Model Rule 3.7(a)(1) does not prescribe disqualification where the lawyer’s testimony relates to uncontested issues.
In a recent case, the Western District of Texas disqualified an entire firm from litigating a case where lawyers had given an opinion of counsel. In *Crossroads Sys. (Texas), Inc. v. Dot Hill Sys. Corp.*, lawyers from Morgan Finnegan had given a noninfringement opinion to a client. Later, other Morgan Finnegan lawyers represented the client when an infringement suit was filed against it over the same patent. The patentee filed a motion to disqualify. The trial court granted the motion, even though it recognized that the ethics rules generally did not require firm-wide disqualification under these circumstances. Explaining its reasoning, the court stated:

Although the various ethical canons speak with one voice with respect to the general question of whether an attorney who will be called to testify in a trial may serve as trial counsel, their unanimity breaks down somewhat when it comes to other members of the testifying lawyer's firm. For instance, the Model Rules allow members of the lawyer's firm to serve as trial counsel unless the conflict of interest rules would prohibit their service. The Texas rules are less forgiving as they prohibit other members of the firm from serving as trial counsel unless their client gives informed consent. Finally, the Model Code takes the hardest line, treating the members of a testifying lawyer's firm exactly the same as the testifying lawyer for purposes of the prohibition on service as trial counsel. The local rules of this district do not address the issue.

The Court believes that under the circumstances presented here, a strict prohibition on all members of the testifying lawyer's firm serving as trial counsel is appropriate. Crossroads will be seeking to attack the reasonableness of Dot Hill's reliance on the opinions given by Morgan & Finnegan attorneys, in part, by attacking the accuracy and validity of the opinions themselves as well as the work underlying the formulation of the opinions. Moreover, the reasonableness of Dot Hill's reliance on the opinions will necessarily raise other factual questions, such as what relevant, non-privileged facts (besides those contained in the opinion letters) were communicated between Dot Hill and its opinion counsel. Since both the credibility and legal acumen of Morgan & Finnegan attorneys will be in issue at the trial, if other Morgan & Finnegan attorneys were permitted to serve as trial counsel, they would be placed in the awkward and unseemly position of having to advocate for the credibility and reliability of the testimony of their law partners. Even worse, if the testifying Morgan & Finnegan attorneys were to give testimony that was adverse to Dot Hill's interests, the attorneys serving as trial counsel would be squarely confronted with a conflict of interest in grappling with competing duties to the client and to the firm.

Other potential problems would be sure to arise in the course of a trial in which members of Morgan & Finnegan would be serving as trial counsel while others would be testifying as witnesses. The trial counsel would be put in the position of having to comment on and actively praise the work product of their own firm in the course of arguing the reasonable reliance on the opinion letters by Dot Hill. Another difficulty would be that

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numerous extraneous issues would likely be injected into the case if a Morgan & Finnegan witness is permitted to testify. Efforts at impeaching the Morgan & Finnegan witnesses may inquire into potential sources of bias, including the amount of fees that were generated in the production of the opinion letters and the amounts Morgan & Finnegan earned before the production of the letters and continues to earn to this day based on its work for Dot Hill. If Morgan & Finnegan were to continue to serve as trial counsel, these questions could potentially serve to impeach the credibility of Dot Hill's trial counsel at the same time as they affect the credibility of the witnesses. The credibility of a party's trial counsel, however, clearly should not be an issue in the case.

Furthermore, so long as Morgan & Finnegan serves as trial counsel, the motivations behind the potential for a decision not to call the Morgan & Finnegan opinion attorneys as witnesses on behalf of Dot Hill becomes immediately suspect. So long as the Morgan & Finnegan trial attorneys are grappling with divided loyalties to their firm and to their client, there can be no assurance that their representation of Dot Hill would not be different if the credibility and competence of their partners were not in issue. Other issues that Morgan & Finnegan's service as trial counsel would tend to implicate include knowledge on the part of the Morgan & Finnegan attorneys concerning: (1) the reasons for the Chaparral purchase; (2) the development of products designed to defeat infringement; and (3) the economic benefit to Dot Hill with respect to the sale of potentially infringing products. In sum, there are simply too many potential rabbit trails and invitations to jury confusion if Morgan & Finnegan attorneys were permitted to serve as trial counsel when their partners will be taking the stand as witnesses.

2006 WL 1544621 at *10-11 (citations and footnote omitted). Some federal courts could continue to disqualify a firm from appearing at trial where other lawyers in the firm had given an opinion.

In some courts, bifurcation or stay of the issue of willfulness may be the means to delay the need for disqualification. On the question of whether or not to bifurcate, a lawyer’s interests may conflict with the client. A lawyer may want to obtain bifurcation so that he can litigate at least part of the case, while bifurcation may not be in the best interest of the client, who may be better served by presentation of all issues in suit in a single proceeding before one fact finder. In such cases, a concurrent conflict of interest could develop, requiring the informed consent of the client. This possible conflict, and needs for efficiency, led the Crossroads court to deny bifurcation.


18 2006 WL 1544621 at *11.
During patent litigation, rules such as Model Rule 1.7(a)(2) or other applicable standards may require the lawyer to discuss the issue of disqualification with the client, and seek the client’s informed consent on how to proceed. Lawyer and client should discuss whether to seek bifurcation, in order to keep the lawyer in the case, or try the case in one phase and obtain new trial counsel, and the advantages and disadvantages of each course.

C. Enhanced Risk of Waiver of Work Product

To show that it acted reasonably and so did not infringe willfully, an alleged infringer can choose to waive privilege over the opinion. When it does so, that raises the issue of the breadth of the waiver: we know it’s subject matter that is waived, but how does “subject matter waiver” apply in the context of willfulness, and does the combination of the roles of trial and opinion counsel increase the risk that broader waiver will be found than if separate firms are used? That is the issue this section addresses.

The starting point is a seminal May 2006 Federal Circuit case that addressed a petition for writ of mandamus challenging a district court’s ruling on the scope of both the waiver of attorney-client privilege and work product immunity where the waiver resulted from the defendant’s election to rely on the advice of counsel to rebut a charge of willful infringement. For reasons that will become clear, the context of the observations made by the judges in deciding *EchoStar* is critically important, since the court used broad language, but was actually deciding a narrow issue. The meaning of the case is being debated among litigants and the district courts, as we will see.

In *EchoStar*, in defense of TiVo’s infringement suit, EchoStar asserted the defense of reliance on the advice of two opinions of counsel: one from its in-house counsel, and obtained before the suit had been

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20. See, e.g., Oxyn Telecomm., Inc. v. Onse Telecom, No. 01 Civ. 1012(JSM), 2003 WL 660848, at *6 (S.D.N.Y. Feb. 27, 2003) (if privileged communications are placed “in issue” by defenses in litigation, then a “broad[] subject matter waiver [of privilege] is effected.”).

21. In re *EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006).
filed; the other obtained from its outside counsel, Merchant & Gould, after the suit had been filed. Both opinions addressed only non-infringement, not invalidity or unenforceability. TiVo argued that the assertion of this defense triggered a broad subject matter waiver, and ultimately the district court largely agreed, ordering the production of privileged material and even work product created by Merchant & Gould that had not been communicated to EchoStar, excepting only “trial preparation material unrelated to infringement.”

EchoStar sought review in the Federal Circuit by way of a petition for mandamus, and Merchant & Gould intervened. Questions concerning the scope of waiver caused by reliance on both opinions were raised on appeal.

Concerning in-house counsel, the court quickly rejected EchoStar’s attempt to characterize its reliance on its in-house counsel as not constituting reliance on advice of counsel. The court instead held that “[w]hether counsel is employed by the client or hired by outside contract, the offered advice or opinion is advice of counsel or an opinion of counsel.” The court stated that, as a result, there was a waiver of “the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include communications with Merchant & Gould.”

That sentence bears examination. On appeal, there was no dispute concerning any in-house counsel documents. Thus, the court’s statement as to the scope of waiver was dicta as to in-house counsel, since there was nothing to decide. In addition, the fact that nothing was in dispute also means that there was nothing at issue in the case with respect to what “subject matter” was: in other words, the court did not decide whether by relying on a noninfringement opinion, the “subject matter” waived includes invalidity or

22 Id. at 1297.
23 Id.
24 Id.
25 Id. In granting the petition, the court first held that Federal Circuit and not regional circuit law governs the extent to which a party waives attorney client privilege and work product by relying on advice of counsel to defend against enhanced damages. Id. at 1298.
26 Id. at 1299.
27 Id.
28 Id. at 1297 n. 2.
unenforceability opinions. The sentence also bears examination with respect to the comment concerning Merchant & Gould. With respect to waiver with respect to privileged communications with Merchant & Gould, the statement is also dicta. Further, the court did not decide whether communications made after suit was filed were waived, since that issue was not presented in the case. As will be seen, the context of the case has become a battleground for district courts and litigants.29

The court then turned to the scope of waiver concerning advice from Merchant & Gould, received after the suit had been filed, holding that the district court had abused its discretion in ordering production of work product documents, whether they had been communicated to EchoStar, or not.30 Noting that work product applied only to written or tangible communications, the court emphasized that the purpose of work product differed from privilege and was designed to afford a “zone of privacy” around litigation to permit lawyers to commit thought to paper in order to prepare for trial.31 As a result, there is no subject matter waiver of work product by reliance upon work product: instead, protection only over factual, not opinion, work product is waived by reliance upon work product.32

In applying these principles to the context of reliance on an opinion of counsel to defend against a charge of willful infringement, the court explained that the purpose of requiring subject matter waiver was to “prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice.”33 To further that policy, the court reasoned that work product protection was waived to the extent it “could have such an effect.”34

To guide courts in applying these principles, the court noted that there would generally be “three categories of work product that are potentially relevant to the advice-of-counsel defense…: (1) documents that embody a communication between the attorney and client concerning the subject matter of the case,

29 The Federal Circuit did clarify matters by citing Akeva LLC v. Mizuno Corp., 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003). In that case, the district court held that privilege and work product were waived over an opinion obtained from trial counsel. That fact pattern was simply not present in EchoStar, and the policy issues implicated in that case were not considered by the Federal Circuit. Why the court cited the decision is unclear, but the fact that it did so is causing confusion, as shown below.

30 Id. at 1300.
31 Id. at 1301.
32 Id. at 1302.
33 Id. at 1303.
34 Id. at 1303.
such as a traditional opinion letter; (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney's mental impressions but were not given to the client; and (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client.\(^\text{35}\)

With respect to the first category, the court reasoned that because privilege is waived when reliance on counsel is asserted, waiver extends to "any documentary communications such as opinion letters and memoranda."\(^\text{36}\) Thus, in the court's view, work product is no different than privileged information: if either is communicated to the client, protection is waived. That view is at odds with general principles governing work product: A lawyer does not waive work product protection by providing work product to a client, and a client cannot unilaterally choose to waive the lawyer's interest in the protection of work product.\(^\text{37}\)

Nonetheless, the court reasoned that when the privilege is waived by reliance on advice of counsel, disclosure of even opinion "become[s] evidence of a non-privileged, relevant fact, namely what was communicated to the client, ..." If that were true, then any disclosure of work product to a client becomes evidence of a nonprivileged fact if privilege is otherwise waived. That proposition is startling.

With respect to the third category (the court put it last, but recognized that it "falls admittedly somewhere interstitially between the first and second" and so logically ought to be examined second),\(^\text{38}\) the court stated that work product documents that in effect memorialize or reflect a communication with the client are not protected.\(^\text{39}\) "Though it is not a communication to the client directly nor does it contain a substantive reference to what was communicated, it will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of

\(^{35}\) Id. at 1302.

\(^{36}\) Id. at 1302.

\(^{37}\) Among other things, the work product privilege also belongs to the attorney, not the client, and the client cannot waive the lawyer's interest in work product protection. *Hobley v. Burge*, 433 F.3d 946, 949 (7th Cir. 2006) ("An attorney has an independent interest in privacy, even when the client has waived its own claim, as long as invoking the privilege would not harm the client's interests.").

\(^{38}\) 448 F.3d at 1304.

\(^{39}\) Id.
attorney-client communications from the court." The court’s holding makes sense since privilege over communications on the subject of the opinion have been waived, and the fact that a lawyer writes down a privileged communication does not convert the substance of the communication into a work product document. However, the court emphasized that information in such documents that had not been communicated could be redacted.

With respect to the final (second, in the court’s analysis) category of documents — those that are work product but never communicated to the client — the court found work product protection still existed despite waiver of privilege. “[I]f a legal opinion or mental impression was never communicated to the client, then it provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work product doctrine.”

The three categories provide some framework for analysis, but the *EchoStar* case has created multiple uncertainties, in part because the court used broad language in the context of a fairly narrow set of facts.

First, for example, the question of what is the “subject matter” waived is obscured by the *EchoStar* decision. Although the case involved only noninfringement opinions received by the client, the court ultimately wrote that an accused infringer who asserts advice of counsel waived protection over communications “concerning whether that patent is valid, enforceable, and infringed by the accused.” This language suggests that reliance on an opinion of counsel for one defense waives them for all. That was not an issue in the case, however, and the court’s statement is, at best, dicta.

The case provides additional guidance for lawyers to determine whether to waive privilege by relying upon advice of counsel, and also provides guidance to lawyers and courts in determining the scope

40 Id.
41 Id. at 1304.
42 Id. at 1303-04.
43 Id. at 1303.
44 Id. at 1305.
of waiver of work product after a decision to waive is made. In a footnote, the court examined the question of whether waiver extended to post-litigation documents. It wrote:

EchoStar contends that waiver of opinions does not extend to advice and work product given after litigation began. While this may be true when the work product is never communicated to the client, it is not the case when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation. See Akeva LLC, 243 F.Supp.2d at 423 (“[O]nce a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement.”); see also Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc., 246 F.3d 1336, 1351-1353 (Fed. Cir. 2001) (noting that an infringer may continue its infringement after notification of the patent by filing suit and that the infringer has a duty of due care to avoid infringement after such notification).

The EchoStar opinion has already been followed by several district court opinions taking different views of the scope of waiver of work product with respect to post-suit communications with trial counsel. They form a continuum from strict waiver, to middle ground balancing, to no waiver.

Combining these roles in the same firm increases the likelihood that a trial court will find broader waiver has occurred over that when the roles are kept separate. Significantly, the presence of an opining-litigator increases the likelihood that a court will order disclosure of work product which relates to the subject matter of the opinion provided by the attorney. Although there is a definite split, most courts hold that an accused infringer may rely on at least a pre-suit opinion of counsel without waiving trial counsel’s

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45 448 F.3d at 1302 n.4.
46 Where trial counsel provides a post-suit opinion—an unusual circumstance—there is an even greater risk of broader waiver. Explaining why, one court explained:

Here, the opinions were rendered by trial counsel’s firm after the litigation began. Although it is difficult to understand how there could be a defense to willful infringement based on an opinion rendered after the litigation began, defendants have raised such a defense. They cannot use their status as trial counsel to erect a barrier to discovery of documents to which plaintiff would otherwise be entitled. Neither can counsel play cute by carefully circumscribing information given to the lawyer in the firm who wrote the opinion, and funneling the information given him through other lawyers in the firm to avoid the concept of ‘communications between client and attorney.’ If a draft opinion is prepared and given to [the opining litigator] who reviews in light of trial strategy before it is given to the client and then sends it back for redrafting if it is a little weak or inconsistent with the trial strategy, plaintiffs have a right to know this. It bears on the independence, competence, analysis, credibility, and value of the opinion.

work product, at least where the opinion comes from a different firm than trial counsel. However, where the opinion comes from trial counsel, or from the same firm as trial counsel, then the risk to the client increases. The greatest risk that an opining-litigator creates is that work product—including, in some courts’ views, even work product which was never received by the client from anyone at the lawyer’s firm—will be discoverable.

This was the holding reached by Judge Farnan in *Novartis Pharmaceutical Corp. v. Eon Labs Manufacturing, Inc.* There, the Cohen Pontani firm defended an accused infringer Eon. In response to a charge of willful infringement, Eon procured an opinion from a member of Cohen Pontani, Mr. Pontani.

In addition to holding that Novartis was entitled to discover even work product information that Mr. Pontani never provided to Eon, Judge Farnan held that “Eon should be compelled to produce all legal advice it received from any member of the Cohen, Pontani law firm with regard to the subject matter of Mr. Pontani’s opinion.” Judge Farnan explained that conclusion:

Eon has not only elected to engage in the unconventional and risky arrangement of having opinion and trial counsel from the same law firm, but Eon’s opinion counsel, Mr. Pontani, has actually entered an appearance in this matter. Because the Court cannot differentiate between opinion and trial counsel, the Court will grant Novartis’ Motion to Compel to the extent it seeks the production of all legal advice Eon received from the Cohen, Pontani law firm relating to the subject matter of Mr. Pontani’s opinion.

Other courts have reached similar results. For example, another court reasoned that the broad waiver rule requiring full disclosure of documents, even if they were not given to the client, is best suited to the situation where the opinion counsel is trial counsel. In that situation, the opinion counsel has a dual role in advising the client and, thus, there is a greater need to make sure the opinion is not tainted by bias or other influences.

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47. See Motorola, Inc. v. Vosi Techs., Inc., No. 01 C 4182, 2002 WL 1917256 (N.D. Ill. Aug. 19, 2002) (holding that privilege over trial counsel’s views of infringement or validity were not waived even though on same subject as pre-suit opinions by other lawyers).
49. Id. at 399.
50. Id. (emphasis in original).
In explaining why the involvement of trial counsel in providing even a pre-suit opinion of counsel increases the breadth of work product waiver, the court reasoned that where the opinion comes from counsel separate and independent from trial counsel, then the reasons supporting broad waiver of work product are not implicated.\(^\text{53}\)

As of now, however, there is no clear rule that has emerged. Instead, the courts have taken views all along the spectrum, from strict waiver, to a middle-ground balancing approach, to the position that no waiver occurs. The following sections analyze these cases.

### (1.) Strict Waiver Approach.

Some district courts are holding that there is full waiver of communications between accused infringer and trial counsel.\(^\text{54}\) In that case, the district court wrote:

While opinion counsel and trial counsel can be walled off from each other, the immurement is immaterial — what matters, according to the decision by the Federal Circuit in \textit{EchoStar}, is the state of mind of BODI. For all the above reasons, Informatica’s motion to compel further responses from BODI is granted. This Court finds that, by asserting advice of counsel as a defense to a charge of willful infringement of Informatica’s patents, BODI waived privilege for both pre-and post-filing pertinent attorney-client communications and work product. Under the analysis in \textit{EchoStar}, it is immaterial whether BODI’s opinion counsel and trial counsel are from the same firm, different firms or are even the same person.\(^\text{55}\)

Another district court indicated in dicta that it would follow this approach.\(^\text{56}\) There, the defendant obtained an opinion from a firm, then retained different lawyers in that same firm to defend it in the litigation. The court wrote:

Defendant contends that, because it has retained different lawyers, although in the same firm, as opinion and litigation counsel, only communications with opinion counsel are waived. This argument is not supported by the case law of the Federal Circuit. When a defendant asserts the advice-of-counsel defense, the attorney-client privilege is waived as to communications with all counsel related to the same subject matter. Accordingly, Defendant has waived the attorney-client privilege as to communications with ‘litigation counsel,’ and


\(^{\text{55}}\) Id. at *8.

any other counsel, to the extent the communications relate to non-infringement, invalidity, and any other defense to infringement.... The work-product privilege is waived only to the extent it is relevant to the alleged infringer’s state of mind, i.e., whether counsel’s opinion is ‘thorough enough, as combined with other factors, to instill a belief in the infringer that the court might reasonably hold the patent is invalid, not infringed, or unenforceable.’ Accordingly, impressions and opinions of attorneys, which are not provided by the attorneys to the clients, are not discoverable because they would not have had an impact on the accused infringer’s state of mind.

(2.) Middle Ground Balancing.

In the middle, some courts hold that waiver applies, but only to communications with trial counsel expressing doubts about the opinion or its strength. For example, in Intex Recreation Corp. v. Team Worldwide Corp., the court reasoned:

[Patentee] TWW submits that Intex must provide “all communications and documents reflecting such communications, regardless of date, concerning whether the ‘469 patent is valid, enforceable, and infringed, not just communications regarding the October 26, 2004 oral opinion.” In support of its contention, TWW submits that “[i]n EchoStar, the Federal Circuit clearly held that the waiver of the attorney-client privilege and work product immunity extends into the future for so long as the alleged infringement continues[.]” …

Although neither party addressed it in their written submissions or during oral argument, another judge of this court has already addressed the issue presented. In an action in which Intex was a party, this court addressed “the issue of any temporal limitation” on an alleged infringer’s waiver of the attorney-client and work product protections. See Intex, 2005 U.S. Dist. LEXIS 10149 at *15. In that case, the court recognized that:

The issue of any temporal limitation on an otherwise broad waiver of attorney-client privilege has divided federal courts, with many courts insisting on the broadest waiver and hence disclosure of all communications and documents regarding the subject matter of the opinion through trial, while other courts construct the subject matter narrowly and limit waiver to communications and documents created prior to litigation, in order to maximize protection of litigation work product.

The court explained why it decided to follow BASF Aktiengesellschaft v. Reilly Indus., Inc.: The ‘middle ground’ is the most appropriate approach to this issue, under which waiver extends only to those trial counsel work product materials that have been communicated to the client and ‘contained conclusions or advice that contradict or cast doubt on the earlier opinions.’ … Hence, any otherwise privileged documents or other information generated by [the alleged infringer] or its counsel subsequent to the [opinion letters] issued in 2000 (including post-suit materials), and relating to the subject matter of

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58 Id. (citations omitted).
59 283 F.Supp.2d 1000, 1005-06 (S.D.Ind.2003)
those opinion letters, must be produced if the documents were communicated to [the infringer] and if they question or contradict in any way the competence or validity of the opinions rendered.60

(3.) The No Waiver Approach.

Other courts hold that waiver does not extent to work product communications with trial counsel.

For example, the court in *Ampex Corp. v. Eastman Kodak Co.*,61 wrote:

According to Ampex, it matters not when or in what context the subsequent communication occurs. Citing *Akeva L.L.C. v. Mizuno Corp.*, 243 F .Supp.2d 418 (M.D.N.C.2003), a case also cited by the Federal Circuit in its *EchoStar* opinion, Ampex contends that there is no temporal limitation on the waiver of privilege, if infringing activity continues, nor is there any distinction between advice received from trial counsel and that received from opinion counsel. Ampex asserts that the EchoStar opinion, in conjunction with Akeva, makes everything fair game for discovery, including communications between trial counsel and client during trial.

I am compelled to reject Ampex’s reading of EchoStar as far too broad and its motion as an extravagant demand at odds with the generally understood contours of the attorney-client privilege. …

Nothing in the factual context [of EchoStar] … indicates a desire by the Court of Appeals to have every communication a client has with its trial counsel on the very subject of an infringement trial open to review by opposing counsel.

This is not elevating form over substance, as Ampex implies. It is not the form of the communication that matters, it is the content. If one received advice of non-infringement and also received an opinion on that same topic from another attorney, it would not matter on the question of waiver how the communication was labeled. But, if all attorney-client discussions touching on the same subject were to be viewed as “advice” or “opinions” on a par with the legal opinions that were at issue in EchoStar, the court’s comments would have to be understood as demolishing the practical significance of the attorney-client privilege, a result obviously at odds with other comments in EchoStar, see 448 F.3d at 1300-01 (“We recognize the privilege in order to promote full and frank communication between a client and his attorney so that the client can make well-informed legal decisions and conform his activities to the law.”), and with other emphatic pronouncements of the Federal Circuit regarding the privilege, see Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1344 (Fed.Cir.2004) (“There should be no risk of liability in disclosures to and from counsel in patent matters; such risk can intrude upon full communication and ultimately the public interest in encouraging open and confident

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60 *Intex*, 2005 U.S. Dist. LEXIS 10149 at *14-15, quoting *BASF*, 283 F.Supp.2d at 1006. At least one other court has indicated that it will adopt a balancing approach. *Indiana Mills & Mfg., Inc. v. Dorel Indus.*, 2006 WL 1749413, *6-*7 (S.D. Ind. May 26, 2006) (concluding that *EchoStar* permits courts to balance the purposes served by the privilege against the need for discovery when addressing whether a waiver will extend to trial counsel or post-filing communications and denying discovery under facts presented)

relationships between client and attorney.”). It will take more than the inference Ampex wants to draw from EchoStar to persuade me that the Federal Circuit intends a wholesale revision of the historical understanding of the attorney-client privilege. 62

There are two responses to the problem that this line of cases creates. One is to argue that they are wrong—a position other courts have adopted. 63 A leading opponent of the post-suit waiver approach is Dunhall Pharmaceuticals, Inc. v. Discus Dental, Inc., 64 which rejected post-suit waiver on policy grounds:

Once the lawsuit is filed, the waiver of work product protection ends. This temporal limitation follows from the enhanced interest in protecting against disclosure of trial strategy and planning. Following the filing of the lawsuit, defense counsel is engaged in critical trial preparation, often including analysis of the weaknesses of their client’s case. Such analysis, while likely related to the subject matter of the asserted defense, is fundamentally different from a similar pre-litigation analysis. In comparison to work product produced prior to the filing of the lawsuit, litigation-related work product deserves greater protection. Because the court finds that the balance of competing interests shifts at the time the lawsuit is filed, it rejects plaintiff’s contention that the waiver should extend beyond the date that the lawsuit was filed. 65

Courts, therefore, do disagree on the scope of waiver of work product; however, the presence of a prosecuting-litigator does increase the likelihood that post-suit waiver will be imposed. 66 Although a court may reject post-suit waiver, it is an increased risk. 67

The other option to avoid post-suit waiver when a prosecuting-litigator is involved is to seek bifurcation of willfulness. 68 However, bifurcation may increase costs and may be detrimental to the client if the jury decides liability without knowing that the accused infringer obtained an opinion of counsel, even though that is not technically relevant to infringement. The issue of whether to bifurcate, therefore, may create a conflict between the attorney necessitating obtaining informed consent from the client.

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62 Id. at *2-*3.
64 994 F. Supp. 1202, 1206 (C.D. Cal. 1998).
65 994 F. Supp. at 1206.
In light of the enhanced risk of post-suit waiver of work product, and the costs which accompany bifurcation, a client should be informed of the potential risks. Clients should be informed either that a broader privilege waiver may apply, or that the client may need to seek bifurcation, an action which may not be in the client’s best interest.

3. Other Issues

Time

Scope: Infringement, Invalidity, Unenforceability.

The courts disagree on whether “subject matter” in this context includes all opinions about any defense, or only opinions that relate to the same precise defense as the opinion waived.

Some courts hold that if an opinion concerning one defense is relied upon, other opinions may be withheld. Thus, a defendant who relies upon a noninfringement opinion waives protection over the subject matter of infringement, but not invalidity or unenforceability.69

4. Conclusion

The Federal Circuit's recent decision to hear en banc the questions of whether and if so to what extent trial counsel's opinion is waived will likely shed much light on this subject. In In Re Seagate Technology LLC, Misc. No. 830 (2007), the Court agreed to hear en banc these three questions:

(1) Should a party's assertion of the advice of counsel defense to willful infringement extend waiver of the attorney-client privilege to communications with that party's trial counsel? See In re EchoStar Commc'n Corp., 448 F.3d 1294 (Fed.Cir.2006).

(2) What is the effect of any such waiver on work-product immunity?

(3) Given the impact of the statutory duty of care standard announced in Underwater Devices, Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed.Cir.1983), on the issue of waiver of attorney-client privilege, should this court reconsider the decision in Underwater Devices and the duty of care standard itself?

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Patent Agents: The Person You Are

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1. Introduction

The United States Patent & Trademark Office (the “Patent Office”) permits both lawyers and nonlawyers with certain minimum educational requirements to take the patent bar and become registered with the Patent Office, and thereby become authorized to prosecute patent applications. Thus, a license to practice law is neither a condition of, nor is it sufficient to, practice before the Patent Office.

Patent agents offer efficiencies and effectiveness to clients. Obviously, because they have not had to undertake three years of legal education, patent agents, through equally qualified in the eyes of the Patent Office to prosecute patents, may be available at a lower hourly rate to clients. In addition, they may be better or at least more recently technically trained than a lawyer, and so may be better able to communicate with patent applicants and to draft more accurate applications.

Patent agents, however, suffer from an identity crises in the eyes of the law that inhibits access to these benefits. Courts, bar associations, and disciplinary agencies struggle with whether what they do constitutes the “practice of law,” whether they give “legal advice,” and whether they are “nonlawyers” and so cannot form partnerships with lawyers to practice law. How they are characterized has critical, real-world consequences. Whether a client can know that information disclosed to the agent will be subject to protection under a privilege, for example, or even must be held confidential by the patent agent, turns on the agent’s status.

The identity crisis is understandable. After all, at one time what we now call patent agents were designated as “patent lawyers” by the Patent Office itself. Today, while they can

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1 37 C.F.R. §11.6.
no longer call themselves “lawyers,” they are authorized by federal statute to prosecute patents, and prosecuting patents constitutes “practicing law.” Thus, patent agents practice law, but, they are not “lawyers” and cannot call themselves “lawyers.” Alone, this history and those facts has led to confusion and disagreement as to how to treat patent agents for purposes of ethical rules, conflicts of interest principles, and privilege rules: though they practice law, for each purpose, are they “lawyers,” or not?

Patent agents are not the only professionals who are authorized to “practice law” without state licensure. But what makes them unique, and which truly makes their classification more difficult, is that, unlike other nonlawyers, patent agents must comply with ethical rules that are identical to those that apply to lawyers who practice before the Patent Office and, further, are largely identical to the disciplinary rules applicable to lawyers who do not practice before the Patent Office. Patent agents truly occupy a unique position in the legal system.

From the perspective of the Patent Office, patent agents walk, talk, and look like lawyers; from the perspective of state bars, however, they are nonlawyers. That has led to open disagreement on fundamental conclusions as to who they really are. For example, does the fact that patent agents “practice law” mean that their clients can claim privilege over communications between the patent agent and the client, or does the fact that they are not “lawyers” mean communications cannot be privileged? Does it mean that they are “nonlawyers” or “lawyers” for conflict of interest purposes and for purposes of sharing fees or forming partnerships?

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4 Id.
5 “Enrolled agents” can provide legal advice concerning federal income tax laws, for example. See 31 C.F.R. § 10.4(b).
6 37 C.F.R. § 10.1 et seq.
Despite the fact that there are thousands of registered patent agents, no article has as yet addressed the fundamental issue as to the best characterizations of patent agents in the legal and patent systems in these critical areas. This article attempts to fill that void by providing guidance to patent agents, lawyers, courts, and bar associations in understanding the who patent agents are. The article not only describes those ethical issues, it explores whether patent agents should be treated as “lawyers” in the various contexts in which they operate. It seeks to address the split in the authorities on whether patent agents are “lawyers” for a given purpose, clarity that is in dire need, since authorities disagree on whether they are “lawyers” for even the same purpose. Further, often courts hold that lawyers who engage in the same act as a patent agent “gives legal advice,” but a patent agent who does the same thing does not, even though both “practice law” when they do so.

Inefficiencies flow from this uncertainty and force clients who wish to be sure that the privilege applies, for example, to hire lawyers over patent agents even if the latter may be equally skilled and available at a lower price.

This article first describes the requirements for being a patent agent. It then describes the ethical standards which apply to them, and finally analyzes the common ethical issues that face patent agents, seeking to clarify who they really are, and what they really do.

At the outset, some definitions: a “patent lawyer” is someone who is both licensed by a state to practice law and is registered to practice before the Patent Office; a “patent agent” is registered with the Patent Office, but is not licensed by a state to practice law; a “lawyer” or “attorney” is licensed by a state to practice law, but is not registered with the Patent Office.
2. The Requirements for Becoming a Patent Agent.

A patent agent is an individual who is registered to practice patent law before the Patent Office. To be registered, the patent agent must have certain legal, scientific, and technical qualifications, and must demonstrate good moral character. A lawyer who wants to practice patent law must pass the same test as does a patent agent: simply being a lawyer is insufficient to qualify to practice before the Patent Office. Thus, being a lawyer is neither sufficient to appear before the Patent Office, nor a condition to doing so.

Once registered, a patent agent becomes subject to and must comply with the ethical standards promulgated by the Patent Office and contained in the PTO Code. The PTO Code is largely based upon the ABA Model Code. Thus, it is a comprehensive ethical code, covering everything that can be found in codes governing lawyers. The PTO Code applies with equal force to lawyers who become registered to prosecute patents.

Some say that this means that “[f]or all purposes, lawyers and nonlawyers seeking to practice patent law before the United States Patent and Trademark Office find themselves on the same footing.” This is a half-truth. The standards that apply to patent agents and patent...
lawyers by the Patent Office are identical. However, patent lawyers, because they are licensed by a state, likely have additional licensing requirements, such as continuing legal education requirements, that patent lawyers are not subject to. Thus, in terms of treatment by the Patent Office, the two are the same. The differences do matter, however, as becomes clear below.

3. **Patent Agents are Both Lawyers and Nonlawyers for Purposes of Discipline**

   Unanswered questions concerning the status of patent agents exist within the Patent Office and in disqualification proceedings in state and federal courts. This section addresses what is known, and what remains to be discovered about how the Patent Office and the courts and bar associations will characterize patent agents. Surprisingly, the following shows that policies would be best served if patent agents are treated as lawyers for purposes of discipline in the Patent Office, but as nonlawyers for all other purposes.

   A. **For Purposes of Discipline the Patent Office Should treat Patent Agents as Patent Lawyers.**

   Congress authorized the Patent Office to establish disciplinary rules and to discipline practitioners who violate them. In accordance with that authority, the Patent Office established the Office of Enrollment & Discipline (“OED”). The OED reviews complaints, conducts investigations, and enforces the PTO Code. Over the years, the OED has written numerous opinions interpreting and applying the PTO Code.

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16 *In re Amalgamated Dev. Co.*, 375 A.2d 494, 496 (Ct. App. D.C. 1977) (“The only difference between the two is that patent agents are not also attorneys.”)


18. *See id.; 37 C.F.R. § 10.2(a) (2005).*


The OED has authority to reprimand, suspend or exclude patent agents, either generally or from a particular matter, but only if it proves that the patent agent has violated a disciplinary rule in the PTO Code.\(^{21}\) Thus, a patent agent can be disciplined by the OED only for violations of the PTO Code. As a result, the PTO Code controls the question of whether the OED may bring a disciplinary proceeding.

The same is true with patent lawyers: the OED may succeed in disciplining a lawyer practitioner only by establishing a violation of the PTO Code.\(^{22}\) For that reason, for purposes of discipline, patent agents should be treated as patent lawyers. They are subject to discipline only upon violation of the PTO Code.

**B. During Disqualification Proceedings, the Patent Office, the Patent Office should treat Patent Agents as Nonlawyers.**

Ethical issues can be raised by various personnel and entities in the Patent Office, in both *ex parte* prosecution and *inter partes* proceedings, and also by the participants to *those* proceedings, since parties and PTO personnel are authorized to bring motions (called “petitions” in the Patent Office) to disqualify.\(^{23}\) The Patent Office is not required to apply the PTO Code to these petitions, since regulations specifically provide that the PTO Code does not control disqualification petitions, which instead are “handled on a case-by-case basis under such conditions as the Commissioner deems appropriate.”\(^{24}\)

Because of this “case-by-case” approach to addressing disqualification petitions, the Patent Office is not required to apply the PTO Code in deciding petitions seeking to disqualify patent agents. It has, as a result, relied on legal ethical rules when deciding the propriety of


\(^{22}\) *Id.*


\(^{24}\) 37 C.F.R. § 10.130(b).
conduct of patent lawyers. For the following reasons, however, the Patent Office should not, absent compelling reasons, treat patent agents like they are lawyers.

Although the Patent Office has relied on the PTO Code in deciding petitions to disqualify, those decisions have stated that when the office is deciding disqualification petitions, its interpretation of the PTO Code can be “aided by decisions of federal courts” which addressed ethical matters involving lawyers. While they may be informative of lawyer ethical standards, the decisions to which the office referred often were based upon legal ethical rules that differ in wording from the PTO Code, raising the possibility that a patent agent could be disqualified from representing an applicant in the Patent Office based upon principles from lawyer-ethical rules, not the PTO Code. Patent agents, of course, are not lawyers.

In applying this case-by-case approach, entities within the Patent Office should for two reasons be extremely reluctant to rely on rules that differ from the PTO Code. First, neither the disciplinary rules of the state in which the agent practices nor the authority interpreting those rules should be given much weight to the extent those rules differ from the PTO Code for the simple reason that the PTO Code is the only code of ethics that patent agents are required, or agreed, to follow. In determining whether a patent agent has acted unethically, there should be a very good reason before the Patent Office applies rules that were developed under attorney disciplinary codes that, by their own terms, do not apply to patent agents.


26. Id. In a trademark case, the board recently wrote that “there is nothing improper in considering relevant case law of other jurisdictions with the understanding that different wording in those standards of professional responsibility may compel a different result.” Finger Furniture Co. v. Finger Interests No. 1, Ltd., 71 U.S.P.Q.2d 1287 (June 29, 2004) (trademark decision).

27. Obviously, if the state rules and PTO Code are identical, it doesn’t matter which applies.

28. To be sure, a patent agent who is an employee of a law firm is likely to be deemed a nonlawyer for purposes of state disciplinary rules. For example, partners of law firms must take reasonable steps to ensure that nonlawyers conform their conduct to applicable state disciplinary rules. See, e.g., Model Rules 5.1, 5.2, 5.3.
Second, not only have patent agents not agreed to comply with state ethics rules, but application of state ethics rules to their conduct can create extraordinarily troublesome issue within the Patent Office. There is disagreement, for example, over whether a lawyer who knows confidential information of one client that is material to another client’s patent application must comply with state lawyer disciplinary rules, and keep the information confidential, or may comply with the duty of candor and disclose the information to the Patent Office.29 Some say that under state law, a lawyer may not disclose this information, even if doing so is required by the PTO Code.30 While this disagreement creates a troublesome issue for lawyers because state ethics rules can be read to conflict with the PTO Code, the same issue does not force patent agents, since they are not subject to state rules. On the other hand, if ethical issues concerning patent agents turn on rules beyond the PTO Code, then these same uncertainties begin to affect the obligations of patent agents as well.

Thus, although patent agents should be treated as lawyers for purposes of discipline, when applying the case-by-case approach to disqualification, the Patent Office should be extremely cautious in applying non-PTO Code authority to patent agents, even though the office has the statutory authority to do so. Patent agents should not be treated as lawyers for purposes of ethics and disqualification in the Patent Office if doing so will either unnecessarily create

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uncertainty and confusion over their duties, or subject them to inconsistent obligations under state rules to which they have not consented to be subject.31

C. For Purposes of Imputed Disqualification in Litigation and Disciplinary Purposes, Courts and Bar Associations Should treat Patent Agents as Lawyers.

The prior work of a patent agent for a former employer can serve as the basis for a disqualification motion or the basis of a grievance based upon a conflict of interest.32 This section analyzes whether a patent agent in the context of a law firm that includes lawyers who do not limit their practice of law to patent prosecution should be treated as an “attorney” or as a “nonlawyer” for purposes of conflict of interest rules for purposes of discipline or disqualification in state or federal court.33

The characterization of a person as a lawyer or nonlawyer is usually not an issue. However, it can be a critical distinction in determining the propriety of a representation, for courts and bar associations often treat lawyers and nonlawyers differently for purposes of imputation of conflicts of interest: if a lateral employee is a lawyer, then generally the lateral’s conflicts are imputed to the firm;34 if the lateral is a nonlawyer, then the majority rule is that conflicts are not imputed.35 Hiring a lawyer who has a conflict of interest will, by imputation, disqualify the entire firm or subject it to discipline; hiring a nonlawyer will not: screening is

31 This also suggests another reason why the PTO Code should be deemed to preempt state law on this issue: if it does not, then patent agents could have different obligations concerning their duty of disclosure than do lawyers. That would defeat the objective of the Patent Office to have uniform disclosure obligations. See generally, ____________.

33 See generally, In re American Airlines, Inc., 972 F.2d 605 (5th Cir. 1992) (discussing role of federal law in deciding disqualification motions filed in federal court litigation).
34 Amon Burton, Migratory Lawyers and Imputed Conflicts of Interest, 16 Rev. Litig. 665, 681 (1997)
35 Id.
permitted of nonlawyers, but not, generally, lawyers.  

If patent agents are “nonlawyers” for purposes of imputation, then firms which hire them will not be conflicted through imputation of their conflicts in jurisdictions which follow the majority approach.

The only court located that addressed the issue viewed the patent agent in the case as a lawyer for this purpose, but it did not analyze whether that was appropriate to do so. Thus, it imputed the conflict faced by the patent agent to all lawyers in the firm, and disqualified the entire firm.

There are at least two reasons to believe this is incorrect. First, the rule that imputes conflicts of interest imputes conflicts of lawyers, and basically provides that if one lawyer cannot represent a client in a matter, no lawyer associated with that lawyer may do so, either. Patent agents are not lawyers, and so the rule simply does not apply. Second, as noted above, bar associations deem patent agents to be “nonlawyers” for purposes of fee splitting and partnering with lawyers. It would be anomalous to treat them as lawyers for purposes of imputed disqualification, but not for those other purposes.

Thus, although the only authority available holds that patent agents are lawyers for purposes of imputed disqualification in litigation, the courts should, consistent with both the language of the rule and their treatment of agents under other rules, hold that patent agents are


37 American Roller, supra note 35 (treating patent agent as a lawyer for purposes of disqualification without analyzing whether that was correct or not).

38 Id.

39 Model Rule 1.10(a).
nonlawyers. Therefore, conflicts of interest facing patent agents should not be imputed if the jurisdiction does not impute conflicts of interest of nonlawyers, but, instead, permits screening.40

D. Conclusion: Consistency

The result is consistent. In the Patent Office, patent agents should be treated as lawyers for disciplinary purposes, and for nonlawyers in disqualification matters, because in the former case the applicable rules—the PTO Code—treats patent agents and patent lawyers as the same. In disqualification and disciplinary matters outside of the Patent Office, patent agents should be treated as nonlawyers because the rules apply to lawyers, and patent agents are not lawyers in terms of those rules. The Patent Office should not treat patent agents as lawyers for purposes of disqualification to be consistent with the way states treat them: the rules that the Patent Office would otherwise look to—state ethics rules—do not treat patent agents as lawyers. It would be incongruous if the Patent Office were to rely on rules that the states uniformly hold do not apply to patent agents in deciding ethical matters involving patent agents in the Patent Office.

4. For Purposes of Partnership and Sharing Fees, the States, but not the Patent Office, treat Patent Agents as Nonlawyers

Under the PTO Code, it is not unethical for patent lawyers to share fees with patent agents, or to become partners with them. Specific federal law allows for the sharing of fees and the forming of partnerships between patent lawyers and patent agents.41 That is consistent with the approach of the PTO Code as treating patent agents and patent lawyers as the same. However, under state ethical rules, lawyers may not form partnerships with or sharing fees with

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41 37 C.F.R. 10.49; 37 C.F.R. 10.37
nonlawyers, and patent agents, of course, are by definition not “lawyers.”\textsuperscript{42} The fact that state law ostensibly prohibits what federal law permits obviously raises preemption questions.

A. The Scope of Preemption by the PTO Code

The PTO Code expressly preempts state law only "to the extent necessary for the Patent and Trademark Office to accomplish its Federal objectives."\textsuperscript{43} The Federal Circuit has held that, unless preempted, state legal ethical rules continue to govern the conduct of patent lawyers even with respect to conduct occurring during patent prosecution.\textsuperscript{44} Consequently, a patent lawyer must engage in a “preemption” analysis to determine whether it is necessary for the PTO to achieve its federal objectives for the PTO Code’s approach -- to preempt state law, under which such sharing is unethical. If it is necessary, then the PTO Code preempts state law.\textsuperscript{45} If not, then a practitioner may be disciplined by a state, in accordance with its rules, even for conduct authorized by the PTO Code.\textsuperscript{46} This section applies

\textsuperscript{42} See, e.g., ABA Model Rule of Prof. Conduct 5.4(a) (prohibiting sharing of legal fees with a nonlawyer, with certain inapplicable exceptions).

\textsuperscript{43} 37 C.F.R. § 10.1.

\textsuperscript{44} Kroll v. Finnerty, 242 F.3d 1359 (Fed. Cir. 2001).

\textsuperscript{45} See Buechel v. Bain, 713 N.Y.S.2d 332 (N.Y. 2000) (reasoning that PTO Code precluded enforcement of directly contrary state law, but did not preclude enforcement of more restrictive state law); David Hricik, Aerial Boundaries: The Duty of Candor as a Limitation on the Duty of Patent Practitioners to Advocate for Maximum Patent Coverage, 44 So. Tex. L. Rev. 205, 213-15 (2002) (describing how PTO Code only preempts state law to the extent it interferes with the PTO’s federal objectives). Others likewise recognize that conflicts of interest during prosecution must be analyzed under the PTO Code. E.g., Lisa B. Kole, Conflicts of Interest in Technology Law, 616 PLI/Pat 513 (Sept. 2000) (“If a patent practitioner represents a client in patent prosecution, and then is asked to represent a new client in prosecution of related subject matter, there is no per se conflict of interest for the practitioner, even if the established and potential clients are economic competitors. However, the attorney should review the situation in terms of the PTO Code.”)

\textsuperscript{46} See Kroll v. Finnerty, 242 F.3d 1359 (Fed. Cir. 2001) (rejecting argument that PTO regulations preempt state regulation of patent lawyers, though not addressing which rules would apply, if any, to grievance or malpractice claims); Schindler v. Finnerty, 74 F.Supp.2d 253 (E.D.N.Y. 1999) (rejecting argument that attorneys could not be disciplined for violation of state ethics rules, even though they were registered before the PTO, holding that PTO Code preempted state law only to the extent that state law "frustrate[s] the necessary scope of practice before the PTO.").
those principles to the obvious arrangements that might be made between patent agents and patent practitioners.47

B. States Cannot Prohibit Partnerships Limited to Patent Prosecution

Courts should hold that a patent agent and patent lawyer who limit their practice to that conduct which the patent agent is authorized by federal law to perform cannot be precluded by state law from forming a partnership. Because both the patent lawyer and patent agent are both authorized by the PTO Code to prosecute patents, to form partnerships, and to share fees, a state cannot prohibit the formation of a partnership, or the sharing of fees between them, so long as they do not engage in conduct that is not authorized by the PTO Code. The reason for that should be apparent: application of state law would eviscerate the section in the PTO Code which permits these relationships to exist.

Although there is scant authority, the ABA long ago took the position that such arrangements did not violate the then-applicable Canons of Ethics and so permitted “a partnership between a member of the Bar and a layman licensed as a patent agent by the Patent Office when the practice of the partnership is confined to activities permitted laymen under the Patent Office Rules.”48 Putting aside the practical difficulties that such limitations on the scope of representations might create, partnerships between patent agents and patent lawyers that are limited to the practice authorized by federal patent law are permitted by federal law, and should be recognized as ethical under state law.

47 Obviously, a lawyer can form a partnership with a patent lawyer and share fees with him. See 49 Fed. Reg. 10012, 10016 (“An attorney who practices before the PTO and another attorney who does not practice before the PTO could form a partnership to practice law in a state.…’’)

48 ABA Formal Op. 257 (1944)
There is contrary authority, however. One state bar association concluded that an attorney could not form a partnership to prosecute patents with a patent agent.\(^{49}\) In addition, the ABA in an earlier opinion took that view.\(^{50}\)

These opinions do not address the question of preemption or the PTO Code’s position on this issue (one because it was issued prior to the promulgation of the PTO Code). They should be rejected, as they directly conflict with and would eviscerate the PTO Code’s express rule permitting these partnerships to exist. If state law applies, then it will never be appropriate to form the partnership that the PTO Code permits. Clearly, the fact that the Patent Office adopted this specific rule is a strong indication that they were necessary to meet its federal objectives.\(^{51}\) Thus, courts should hold that state law to the contrary is preempted.


\(^{50}\) In ABA Formal Op. 257 (1944) it described its earlier conclusion:

In Opinion 201… the question was presented as to whether or not it is proper for a lawyer to enter into a partnership with a layman enrolled on the register of attorneys of the United States Patent Office as entitled to represent applicants in the presentation and prosecution of applications for patents, provided clear indication is given in connection with the use of the firm name of the respective professional qualifications of the partners and provided the business of the partnership was limited to the prosecution of patent applications, the rendering of opinions on patentability, preparation of patent assignments and license agreements and giving opinions on infringement. The Committee held that when a lawyer engaged in a business which is one that would be regarded as the practice of the law when handled by a lawyer, it continues to be the practice of law so far as the lawyer who is engaged in the business is concerned; that if the lawyer member of the proposed partnership rendered any of the services above described, his professional skill and responsibility as a lawyer would be engaged and, consequently, he would be practicing law; that the fact that the law member also is permitted by the rules of the Patent Office to render the same services does not change the conclusion that the business of the proposed partnership would be the practice of law and, accordingly, Canon 33 was violated, as well as Canon 34, which prohibits the division of fees for legal services with a layman.

\(^{51}\) See generally 40 Fed. Reg. 33790, 33790 (discussing adoption of these provisions).

This section analyzes whether lawyers may form partnerships with patent agents who, after all, are nonlawyers under state law. The PTO Code expressly permits patent agents to form partnerships with patent lawyers and share fees with them.52

Some things are clear. Lawyers and patent lawyers may form partnerships, since obviously state rules do not prohibit lawyers from forming partnerships with other lawyers simply because those other lawyers are authorized to prosecute patents.53 Equally certain is that patent lawyers may form partnerships with patent agents so long as the patent lawyer’s practice is limited to patent prosecution. (Obviously, the patent agent’s practice must be so limited.) In that circumstance, the conduct is wholly authorized by federal law, which also expressly permits partnerships between patent lawyers and patent agents. Also clear is that neither a patent lawyer nor patent agent can form a partnership to represent clients before the Patent Office with a person who is neither a lawyer nor a patent agent.54

The difficult questions concern whether lawyers who do not limit their practice to conduct before the Patent Office may form partnerships with patent agents. The PTO Code permits this, since it allows patent agents to form partnerships with lawyers and to share fees with them.55 As a result, and as noted above, patent lawyers can form partnerships with lawyers who are not registered before the Patent Office. The question is: may patent agents do the same thing?

52 37 C.F.R. § 10.37; 10.48; 10.49
53 49 Fed. Reg. 10012, 10016 (“An attorney who practices before the PTO and another attorney who does not practice before the PTO could form a partnership to practice law in a state….“)
54 37 C.F.R. § 10.49.
55 37 C.F.R. § 10.49.
Most believe the answer is no. The reasoning is simple: state ethics rules preclude formation of partnerships between lawyers and nonlawyers; patent agents are nonlawyers; therefore state ethics rules preclude formation of partnerships between lawyers and patent agents. One commentator explained:

The authority directly on the point of whether a lawyer may form a partnership with a patent agent is sparse. One Connecticut Bar Association opinion addressing the question of whether lawyers could form partnerships with nonlawyers states: “a lawyer may not be in partnership with an auditor, or layman collector, or with a patent agent, not a lawyer, or with an income tax expert, or certified public accountant, unless the practice of the firm is confined to activities permitted to the lay members and the lawyer ceases to hold himself as such; nor may a layman be held out as an associate.

On its face, this reasoning is correct. Patent agents are not lawyers and partnerships among patent agents and lawyers are prohibited. Yet, not too far beneath the surface lay policy reasons that ought to be taken into account in future regulation in this area by states. Patent agents should not be so quickly lumped into auditors, collectors, and most other nonlawyers. Unlike those nonlawyers, patent agents are subject to essentially the identical ethical obligations as are lawyers. The PTO Code, after all, was based upon and is largely identical to the ABA Model Code, which served as the basis for state ethics rules for many years. The Patent Office is currently revising the PTO Code to become essentially identical to the ABA Model Rules.


which serve as the basis of most state ethics rules. Thus, patent agents are, generally, held to precisely the same standards of conduct as are lawyers.

Therefore, although it is literally correct to say that a rule which prevents the formation of partnerships between patent agents and lawyers violates state ethics rules, is that necessarily the correct result? Should states interpret rules that prohibit sharing fees or forming partnerships with nonlawyers to apply to nonlawyers who must comply with the same standards as attorneys; who are subject to discipline under the same standards; and who can, no doubt, be sued for breaching those same standards?

The argument exists that, since patent agents and lawyers are subject to essentially the same set of ethical rules, that the purpose behind the prohibition against fee splitting is not implicated by fee sharing among them. This is so because the purpose of rules prohibiting fee sharing or forming of partnerships is to prevent interference with the independent professional judgment of the lawyer in acting on the client’s behalf. The ethical obligations of the lawyer, and patent agent, are the same, and so the interference which the rule seeks to prevent does not appear to exist when the sharing arrangement is with a patent agent. Indeed, the fact that the Patent Office permits patent agents and attorneys to share fees would suggest that, to it at least, splitting does not implicate the purpose of the rule.

On the other hand, however, there are several reasons why the prohibition is likely to remain in place. One is the obvious syllogism set forth above: lawyers may not share fees with nonlawyers; patent agents are nonlawyers; therefore, lawyers may not share fees with patent

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59 See Anno. Model Rules of Prof. Conduct viii (5th ed. 2003) (noting that as of the time of its publication, all but eight jurisdictions had adopted the Model Rules).

60 See Model Rule 5.4, cmt. 1 (“These limitations are to protect the lawyer’s professional independence of judgment.”); ABA Formal Eth. OP. 95-392 (1995) (same); ABA Formal Ethics Op. 87-355 (1987) (prohibition avoids interference with lawyer’s professional judgment and ensures fees will remain reasonable); ABA Informal Eth. Op. 86-1519 (1986) (rule protects exercise of lawyer’s independent professional judgment and deters the unauthorized practice of law).
agents. Beyond that, however, lies the fact that patent agents are not required by the Patent Office to have formal ethics training or to satisfy continuing legal education requirements that, typically, include professionalism or ethics training. For that reason, there remains a substantive reason for bar associations to continue to enforce the prohibition against fee splitting. Whether a court would hold that the prohibition as applied to patent agents is constitutional remains an open question, however.

Thus, until and unless bar associations start treating patent agents like “lawyers” for purposes of the fee splitting rule, or until the rule as applied to them is held infirm, lawyers should avoid entering into arrangements with patent agents that constitute the formation of partnerships or the sharing of fees with patent agents where the practice is not limited to matters before the Patent Office.

5. The Fact that Patent Agents Practice Law, But are Not Lawyers, Creates Odd Dichotomies

It has been more than forty years since the Supreme Court held that "preparation and prosecution of patent applications for others constitutes the practice of law."62 But, patent agents

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61 The District of Columbia has eliminated the prohibition where the partnership is to practice law:

(b) A lawyer may practice law in a partnership or other form of organization in which a financial interest is held or managerial authority is exercised by an individual nonlawyer who performs professional services which assist the organization in providing legal services to clients, but only if:

(1) The partnership or organization has as its sole purpose providing legal services to clients;

(2) All persons having such managerial authority or holding a financial interest undertake to abide by these Rules of Professional Conduct;

(3) The lawyers who have a financial interest or managerial authority in the partnership or organization undertake to be responsible for the nonlawyer participants to the same extent as if nonlawyer participants were lawyers under Rule 5.1;

(4) The foregoing conditions are set forth in writing.


are not licensed to practice law and so by definition are not “lawyers.” Instead, they are nonlawyers who are authorized by federal law to practice law, but authorized only to prosecute patents.\textsuperscript{63}

What, exactly, is the scope of this authority?

At the outset, it clearly does not prevent patent agents from providing services that are not “legal services” even though they are used in connection with patent prosecution. For example, preparing drawings for an application, conducting a patentability search, or obtaining documents from the Patent Office can be performed by laymen,\textsuperscript{64} and so can be performed by patent agents.

It is not the right to practice law broadly. It is clear from \textit{Sperry} that “registration in the Patent Office does not authorized the general practice of patent law, but sanctions only the performance of those services which are reasonably necessary and incident to the preparation and prosecution of patent applications.”\textsuperscript{65} Thus, the “State maintains control over the practice of law within its borders except to the limited extent necessary for the accomplishment of the federal objectives.”\textsuperscript{66}

Instead of a broad, unbounded grant of authority to practice law, courts have characterized the federal grant as allowing for practice of “[a]ll aspects of patent prosecution; that is, from patentability determinations to drafting patent applications to amending patent

\textsuperscript{63} E.g., \textit{In re Lefkowitz}, 393 N.Y.S. 2d 650, 652 (Sup. Ct. N.Y. 1977) (“Patent agents are permitted to prepare applications even though this constitutes the practice of law, solely because they are authorized to do so by federally supreme law.”)

\textsuperscript{64} 40 Fed. Reg. 33790, 33797 (explaining that such services are not legal services).

\textsuperscript{65} \textit{Sperry}, 379 U.S. at 393.

\textsuperscript{66} \textit{Sperry}, 373 U.S. at 402.
applications….” 67 While the dividing line is often not well-marked, the problem is that even typical prosecutions involve application of state law in activities that constitute the practice of law in most states. Patent agents, therefore, must be careful not to drift outside the safe harbor of Sperry and onto the rocks of unauthorized practice of law.68 Precisely where the calm waters end and the shallows begin is not well-charted territory: the courts have “not seen fit to draw a line clearly defining these services or tasks which are incidental to the preparation and prosecution of patent applications before the Patent Office and those services or tasks which the respective states may proscribe as constituting the unauthorized practice of law.”69

On the one hand, some conduct that is authorized and other conduct plainly is not.70 The Supreme Court decided that much in Sperry, which provided only a safe harbor, not an unfettered license to engage in conduct that is not authorized by the Patent Office, but that constitutes the “practice of law” under state law.71

Both before and after Sperry, the Patent Office and the courts have mapped out certain safe harbors for patent agents by identifying those activities which are authorized by federal law, and so which a state cannot prevent a licensed patent agent from performing. Most of these boundaries are pretty obvious, since they either involve activities that are required for patent prosecution, or do not.

70 Falling into the former category, patent agents are obviously authorized to prosecute applications before the Patent Office, and to advertise that they are able to do so.
Thus, patent agents may: provide inventors or applicants with an opinion as to the patentability of an invention; prepare the patent application including the specification, claims, and official drawings; advise applicants what action they should take, if any, after rejection; and prepare and file amendments and responses to office actions. On the other hand, it is clear that a patent agent cannot write a will, file a patent infringement lawsuit in federal court, or take a deposition in connection with an infringement suit. Those matters certainly are not necessary and incident to prosecuting patent applications to issuance. Likewise, engaging in patent litigation, trademark filings, and similar pursuits is not incident to patent prosecution.

But beyond those obvious categories, the boundaries become less clear. Even some matters that may on first blush appear incident to prosecution have been held to be outside the safe harbor of Sperry. For example, a patent agent “may not advise his client as to the ownership of an invention such as where a question of ownership arises by virtue of employment or other contractual relationship between his client and others.” That conduct would be unauthorized, because such determinations are not incident to patent prosecution, and it would constitute the practice of law because it obviously involves interpretation of contracts, which is clearly the practice of law.

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72 Harry Moatz, Avoiding Misconduct Complaints in Patent Prosecution, 80 PLI/NY 29 (Aug. 2000). Mr. Moatz is the current director of the Office of Enrollment and Discipline, the disciplinary entity within the Patent Office. See id.

73 A New Jersey ethics opinion noted:

(i) He may not advise a client respecting litigation in the Courts of the State of New Jersey, including litigation involving issues rising under patent law.

(j) He may not advise clients concerning rights or liabilities in connection with trade marks nor may he represent clients in the assertion of trade mark rights or in defense of liability under trade mark rules.

(k) He may not represent clients in the filing and prosecution of applications for registration of trade marks nor the prosecution of oppositions to the registration of trade marks in the United States Patent Office unless and except to the extent that Congress may preempt this field of law. He may not represent clients in the filing and prosecution of applications for registration of trade marks nor in the prosecution of opposition to the registration of trade marks in the Office of the Secretary of State of New Jersey.

74 Id.
Likewise, even though patent prosecution is but one of several possible means to protect intellectual property, a patent agent can “not advise his client as to what the client's rights may be under forms of legal protection available under federal or state law” instead of patent protection, such as trade secret protection, but “he may advise his client that there are alternate forms of legal protection on which he should seek advice from an attorney admitted to practice in this state.” 75 Again, advice as to the scope of alternate forms of protection is not incident to the prosecution of patents, and so is unauthorized but doing so clearly requires legal advice, and so constitutes the practice of law.

The most interesting and difficult questions involve areas where the patent agent has been deemed by federal law competent to provide the type of advice at issue, but not for the purpose for which the client seeks it. One example concerns whether patent agents can advise clients concerning validity, infringement, or the scope of an issued patent, as compared to a pending application that the agent is prosecuting for the client. Whether they are authorized to do so, surprisingly, turns on why they have been asked to do so: they may not do so “except incident to the filing and prosecution of a patent application.” 76

There are several variations of this scenario which shed light on the issue.

One variation is where the client has asked a patent agent whether a claim in an application the agent is prosecuting will cover a competitor’s product. Courts should hold that this conduct is authorized by federal law. Drafting claims is clearly incident to patent prosecution, and satisfying the duty to obtain claims that the client wants is a necessary part of

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75 Id.
76 Id.
that obligation. Likewise, patent agents should be permitted to advise clients as to whether a competitor’s product will infringe an issued patent if that advice is necessary for the client to decide whether to file a new or continuation application, or to amend claims of an existing application. Deciding whether to seek a patent, and to seek broader claims by amending a pending application or filing a continuation, each is clearly incident to patent prosecution. Similarly, a client may need to know whether its product is covered by a patent to know whether to have the patent agent file an application. Such opinions ought to be deemed incident to patent prosecution, and thus be authorized.

But the purpose for which such advice is obtained is critical. What a patent agent cannot do, however, is provide an opinion to a client about whether the client’s product infringes a third party’s patent when the purpose of obtaining the advice is not to prosecute an application or to decide whether to otherwise broaden claims. One reason to do so, for example, is to obtain an “opinion of counsel” to provide protection against a claim of willful infringement. Such opinions are not incident to patent prosecution, and so would not be authorized, and clearly involve the practice of law. Thus, a patent agent cannot advise a client whether a proposed product infringes a third-party’s patent or otherwise provide infringement analyses unless the purpose of the advice is incident to patent prosecution. The Patent Office has authorized patent agents to conduct activities that are reasonably related to prosecution: advising clients whether their products infringe third party patents certainly is not necessary for prosecution, at least in the abstract.

Another reason why a client may ask a patent agent to opine on the scope of the claims of an issued patent is to determine whether the client’s product is covered by the issued patent, so that the client can decide whether to file a patent application, or not. In this circumstance, the client may need advice about an issued patent in order to know whether to file an application that covers the client’s own product. Under such circumstances, the patent agent’s conduct ought to be deemed authorized. Conversely, it would be unauthorized where the advice was sought for reasons other than whether to obtain a patent.

These examples show that what determines whether a patent agent may give advice is not the substance of the advice or whether the patent agent has the training to give it: it is the purpose for which the advice is used that determines the propriety of giving it. If the purpose is prosecution, *Sperry* provides authority.79

From a functional standpoint this dichotomy may not be true as to all patent agents. The duty of competency requires for example, to know the law of obviousness and to be able to make judgments and legal arguments on behalf of clients on those issues during prosecution. A client is fully entitled to rely on a patent agent to advise on whether a proposed claim is obvious, for example. From the perspective of protection of clients, it doesn't make a whole lot of sense to deny them the ability to obtain the same advice when the question is not whether a proposed claim is invalid as obvious, but when an issued one is.

From a legal and a practical perspective, though, the dichotomy persists.

79 The same dichotomy exists with respect to advice from patent agents concerning invalidity. A patent agent must determine for example, whether a proposed claim is valid over the prior art. It is not necessary for patent prosecution, however, for a client to know whether a third party’s patent is invalid. Even though the legal knowledge and skill required to analyze whether a proposed claim is valid over the prior art is essentially a proposed no different than that required to determine whether a claim in an issued patent is valid, a patent agent can only do the former. The latter constitutes the unauthorized practice of law.
From the legal perspective, where the advice is not incident to patent prosecution, it is unauthorized by federal law. Because it is the practice of law, it is the unauthorized practice of law. Thus, even if patent agent is highly involved in a client’s prosecution activities, and so knows the prior art and its landscape, a patent agent is clearly not authorized to provide an opinion on noninfringement or invalidity to a client about another patent. Clearly, a patent agent can prosecute patent applications without giving such opinions, and they are not incident to prosecution. Further, the courts have stated that, the fact that an opinion was not from a patent attorney, but instead from a patent agent, may show the client’s reliance upon the opinion was not reasonable. Indeed at least one court has suggested that reliance on an opinion from a patent agent is improper.

From the practical perspective, at least one court has suggested that the knowledge needed to prosecute applications is not necessarily the same knowledge needed to conduct infringement analyses. That court wrote: “In our opinion, the rendering of opinions relating to the infringement of patents and the enforcement of patents… very definitely involves the practice of law. Whether or not a patent is violated depends upon many factors, which question can only be determined by the courts, federal or state as the case may be, presented by duly licensed attorneys at law.”

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81 See Edward Poplawski, Effective Preparation of Patent Related Exculpatory Legal Opinions, 29 Am. Intell. Prop. L.Q.J. 269, 286-87 (2001) (stating that an opinion “should be given by a qualified United States patent attorney. As such, an opinion by a non-attorney, including even a patent agent, a general attorney, or a foreign attorney is normally entitled to little weight.”). Under this view, if an opinion is obtained, the fact that it came from a nonlawyer patent agent does not preclude reliance, but reduces reliability of the opinion.

82 No direct authority holding that only an attorney must given an opinion, though at least one court has intimated that opinions from patent agents are insufficient. See Signtech USA Ltd. v. Vutek, Inc., 44 U.S.P.Q.2d (BNA) 1741, 1750 (W.D. Tex. 1997) (stating that "any oral opinion given by a patent agent not yet licensed to practice law was incompetent").

infringement turns on the admissibility of evidence at trial, for example, a patent agent may lack the training to competently give the advice. It would seem, however, that in many circumstances a patent agent is as technically able as a lawyer to make these determinations.

Another aspect of patent practice that raises interesting questions is the fact that patent prosecution often involves the drafting of contracts. The contract that is common in patent prosecution is an assignment. It is common, but not required, for patent applications to be assigned by an employee to her corporate employer because the employee owes an obligation to assign inventions to the employer.

Patent assignments, however, are contracts governed by state law. Consequently, the argument that patent agents are not authorized to draft assignments is straightforward: a nonlawyer may not draft an assignment of property from one person to another, and that is what a patent assignment does. Therefore, unless the drafting of an assignment is incident to patent prosecution, it constitutes the unauthorized practice of law.

The authorities have not clearly answered that question, and the governing law is ambiguous. Pointing against this activity being authorized is the fact that patent assignments are

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84 Assignments are not required by the patent laws; they are simply an optional means by which ownership of an application is transferred from one person (usually the inventor) to another (usually the inventor’s employer) because of an existing contractual requirement to do so. See generally, Peter Caldwell, Employment Agreements for the Inventing Worker: A Proposal for Reforming Trailer Clause Enforceability Guidelines, 13 J. Intell. Prop. L. 279 (2006) (providing a review of the recent use of such assignment clauses).

85 Interesting, patents are personal property created by federal law, 35 U.S.C. § 261, but their transfer is made through contracts governed by state law. See Univ. of W. Va. v. Vanvoorhies, 278 F.3d 1288 (Fed. Cir. 2002) (assignment was a matter of state law contract). While governed by state law, some terms in the contract may be governed by federal law. Id. (assignment was a matter of state law contract, but whether an application was a “continuation-in-part” or not was a question of federal patent law).

not legally required in order to obtain a patent.\textsuperscript{87} Further, and unlike virtually all other aspects of patent prosecution, the validity and scope of an assignment does not turn on federal patent law, which the agent is authorized to practice and with which he must be familiar, but instead turns on state contract law. On the other hand, it is extremely common and, if not legally, practically necessary for assignments to be done. Foremost, it is extraordinarily common for an employee to invent subject matter that is subject to an obligation of assignment to the employer.\textsuperscript{88} If an assignment is not authorized, then in these common cases patent agents would be unable to prosecute the application properly, since getting the application assigned to the employer is a practical requirement for prosecution.

The authorities provide little guidance, but generally restrict the scope of authority narrowly. They also reflect the same divide above: the purpose of the service is what renders it permissible, or not.

This is reflected by one of the few considered opinions on the subject. It prohibits patent agents from preparing contracts or licenses “dealing with patent rights” and also from advising clients “in matters concerning contracts, licenses or assignment dealing with patent rights,” but, nonetheless, permits them to prepare assignments that are “filed simultaneously with a patent application” and to advise clients “concerning contracts, licenses or assignments dealing with patent rights” if they “directly affect and be incident to the filing and prosecution of a patent application.”\textsuperscript{89}


\textsuperscript{88} Richard S. Gruner, \textit{Corporate Patents: Optimizing Organizational Responses to Innovation Opportunities and Invention Discoveries}, 10 Marq. Intell. Prop. L. Rev. 1, 30 (2006) (“The patents arising out of corporate employees' discoveries are typically required by employment contracts to be assigned to the inventors' corporate employers.”).

Other authority takes an even more narrow view, overly-cabined view on this issue. For example, one court went so far as to hold that patent agents may not even use the form-based assignments authorized and approved by the Patent Office as official forms. That court stated:

The courts of the State of Illinois, and not the United States Patent Office, may determine what constitutes the illegal practice of law in this State. The fact that the defendant used forms instead of original documents is not controlling upon the question of whether or not he was engaged in the practice of law. We have heretofore said that the preparing, drafting, and construing of assignments relating to letters patent, constitutes the practice of law…. 90

Thus, the scope of the authorization from the Patent Act, which allows patent agents to practice law when necessary to prosecute patents for their clients, may be under-inclusive at least from the perspective of competency. The Patent Act does not authorize patent agents to provide certain services, even if they may be as qualified as patent lawyers to do so.

6. For Purposes of Privilege, Patent Agents Should be Treated as Lawyers.

A tremendous amount has been written about whether communications between patent lawyers and their clients can, or should, be deemed to be privileged. 91 Others have examined the need for a uniform approach to privilege with respect to international and domestic patent agents. 92 The courts disagree on even on the most basic question of whether communications in the United States between patent agents and their clients can be privileged. 93 This section argues that patent agents should be treated as lawyers for purposes of the attorney-client privilege.

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93 See AGFA Corp. v. Creo Prods., Inc., 2002 WL 1787534 (D. Mass. Aug. 1, 2002) (collecting cases and discussing the split among the district courts on whether a patent agent-client privilege ought to be recognized).
The Federal Circuit’s law should apply to this question, not the law of the state or regional circuit in which the case is pending. Whether and if so to what extent documents that are prepared by a patent agent during patent prosecution can be privileged is obviously a question unique to patent law, since all patent agents can do is practice patent law.

For three reasons, patent agents should be treated as patent lawyers for purposes of privilege.

First, the PTO Code requires patent agents to maintain in confidence information “protected by the... agent-client privilege” to precisely the same extent as it requires patent lawyers to maintain in confidence information “protected by the attorney-client privilege.” The PTO Code’s requirement would be rendered somewhat superfluous if there was no patent agent-client privilege.

Second, when the Patent Office adopted this PTO Code provision, the PTO stated the “privilege is applicable in certain cases to communications between agents registered to practice before the PTO in patent cases and their clients.” While the Patent Office probably lacks authority to establish a privilege by regulatory fiat, the office’s position is obviously worth weight in the analysis. No court has yet recognized its position on this issue, however.

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94 See In re Spalding Worldwide, Inc., 203 F.3d 800 (Fed. Cir. 2000) (“our own law applies to the issue of whether the attorney-client privilege applies to an invention record prepared and submitted to house counsel relating to a litigated patent.”); In re Echostar, __ F.3d __ (Fed. Cir. May 1, 2006) (“Federal Circuit law applies when deciding whether particular written or other materials are discoverable in a patent case, if those materials relate to an issue of substantive patent law.”) (quoting Advanced Cardiovascular Sys. v. Medtronic, Inc., 265 F.3d 1294, 1307 (Fed. Cir. 2001). In Spalding the Federal Circuit emphasized that application of privilege to documents created during patent prosecution “is unique to patent law” and “clearly implicates substantive patent law.” Spalding, 203 F.3d at 804.

While courts have not yet held that Federal Circuit law applies to whether patent-agent communications are privileged, it logically follows from these cases that Federal Circuit law will apply. That result seems particularly appropriate given the fact that patent agents are authorized only by federal law to practice. No state interest would appear to be implicated, and the need for federal uniformity apparent.

95 37 C.F.R. § 10.57(a)

Third, from a functional perspective what patent agents do with respect to patent prosecution is *identical* to that which patent attorneys do: because communications with patent lawyers can be privileged, from a functional perspective it makes no sense to treat patent agents differently.

For these reasons, courts should hold that patent agents are “lawyers” for purposes of the attorney-client privilege.

7. **Conclusion**

Who are patent agents? Who they really are depends upon what forum is asking the question, and what question is being asked. What is certain is that clients, patent agents, and patent lawyers will continue to face difficult questions in this area for some time to come.