Hidden Traps: Subject Matter Conflict of Interest in Patent Law

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A **conflict of interest** is a situation in which someone in a position of trust, such as a lawyer, has competing professional or personal interests. Such competing interests can make it difficult to fulfill his or her duties impartially.
A conflict of interest exists even if no unethical or improper act results from it. A conflict of interest can create an appearance of impropriety that can undermine confidence in the person, profession, or court system.
§ 11.107 Conflict of Interest; Current Clients

(a) Except as provided in paragraph (b) of this section, a practitioner shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

(1) The representation of one client will be directly adverse to another client; or
(2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner’s responsibilities to another client, a former client or a third person by a personal interest of the practitioner.

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

(1) The practitioner reasonable believes that the practitioner will be able to provide competent and diligent representation to each affected client;
(2) The representation is not prohibited by law;
(3) The representation does not involve the assertion of a claim by one client against another client represented by the practitioner in the same litigation or other proceeding before a tribunal; and
(4) Each affected client gives informed consent, confirmed in writing.
Client-Lawyer Relationship: Rule 1.7 Conflict Of Interest: Current Clients

- (a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:
  - (1) the representation of one client will be directly adverse to another client; or
  - (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.
- (b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if:
  - (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
  - (2) the representation is not prohibited by law;
  - (3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and
  - (4) each affected client gives informed consent, confirmed in writing.
Model Rules of Prof. Conduct

Client-Lawyer Relationship: Rule 1.10 Imputation Of Conflicts Of Interest: General Rule

- (a) While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 or 1.9, unless
- (1) the prohibition is based on a personal interest of the disqualified lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm; or
- (2) the prohibition is based upon Rule 1.9(a) or (b) and arises out of the disqualified lawyer’s association with a prior firm, and
- (i) the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom;
- (ii) written notice is promptly given to any affected former client to enable the former client to ascertain compliance with the provisions of this Rule, which shall include a description of the screening procedures employed; a statement of the firm's and of the screened lawyer's compliance with these Rules; a statement that review may be available before a tribunal; and an agreement by the firm to respond promptly to any written inquiries or objections by the former client about the screening procedures; and
- (iii) certifications of compliance with these Rules and with the screening procedures are provided to the former client by the screened lawyer and by a partner of the firm, at reasonable intervals upon the former client's written request and upon termination of the screening procedures.
Removing a Conflict

• Don’t take the client/matter.
• Conflict waivers from both sides.
• “Firewall” at firm – does this actually work?
The Tougher Question

- What about Subject Matter Conflicts?
- Are you able to “represent zealously” both clients on the same subject matter?
- Are you able to segregate arguments related to each client’s patent application?
- What is the perception that your clients have about your representation?
Key Questions

• Who is the client?
  – inventor, parent company, subsidiary, trust

• What field of intellectual property?
  – Patents – inventors, assignees, joint ownership
  – Trademarks – source of the goods

• What is the subject matter?

• Has everyone been counseled in advance of the representation?
Subject Matter Conflicts

Need to Look for:

• Similar/related subject matter
• Competitors in the marketplace
• Inventor who worked for one of your clients is out on his own at a new company.
What’s The Big Deal?

• How do we learn chemistry?
• How do we build our knowledge base?
• Can we actually turn that knowledge off?
• Do you have “stock language” or “good definitions” that you include in certain patent applications? How do you decide when to use that stock language?
Examples

• Attorney at Big Law represents Microsoft in litigation against Apple.
• Apple executive contacts a friend at Big Law to set up an estate plan.
• Conflict?
Examples

- Attorney at Big Law represents Microsoft in patent litigation against Apple.
- Apple executive contacts a friend at Big Law to work on patent portfolio.
- Conflict?
Examples

• Attorney represents Conagra for patents on prepared foods and methods/additives that allow them to be “shelf stable”.
• Attorney networks at Food Science Convention and meets someone at Cheesecake Factory who wants to discuss new patent application on method of treating cream cheese so that it is tolerant of temperature ranges.
• Conflict?
A Case Study

• Large Firm in Northern California represents Applied Materials and Intel
• Large Firm files patent applications for both companies around semiconductor materials.
• One patent family for each company discloses and claims inorganic porous dielectric materials.
A Case Study (continued)

- Office actions issue in both patent applications. One office action cites patents from Applied Materials against Intel patent application.
- How do you act as an effective advocate for Intel without attacking Applied Materials patents?
A Case Study (continued)

• Declarations
• Background Sections of Patent Applications
• Information Disclosure Statements
• New Expediting Process

• How do you handle these situations as practitioners?
How Do We Fix It?

• Small Firm/Small IP Group
• Mid-Size Firm/1-2 Patent Prosecutors
• Large Firm/Large Prosecution Group
  – How do you choose who takes which client?
  – Attorneys who leave firm?
  – Appearance of impropriety
  – Massive Awards Against Law Firms/Increasing Price of Malpractice Insurance
Adequate System for Checking?

- E-mail everyone in the group?
- Key Word Search/Update Conflicts Checking System
  - Use series of “Business Code Identifiers”
  - Specify intelligent key words
  - List all inventors and in-house counsel
  - List common competitors
Subject Matter Conflicts
Recent Cases
Vaxiion Therapeutics v. Foley & Lardner (Southern District of California)
Subject matter conflict was alleged based on patent attorneys in firm’s San Diego and D.C. offices filing applications for separate companies, both claiming “minicell” technologies.

- Counsel did not notify plaintiff of representation of EnGeneIC.

- Plaintiff alleged breach of fiduciary duty.

San Diego attorneys represented Vaxiion, and D.C. attorneys represented Vaxiion’s competitor EnGeneIC.

- PCT application for Vaxiion’s invention was filed four days late, affecting the priority date.

Also, attempts were made to swear behind the Vaxiion disclosure for EnGeneIC’s invention.

(Note: Recent InsideCounsel series discusses case in depth)
Held: Unnecessary to show attorneys in San Diego communicated client confidences to colleagues in DC.

Which rules of professional conduct apply?

• California rules, D.C. rules, or the PTO Code of Professional Responsibility?

Different rules may have different implications . . .

• California rules are based on that of an objective observer, or what subjectively an attorney understood (e.g., 3-310(c)(2))
• PTO rules are based on representation of clients with “different interests”
• D.C. rules are based on a “concurrent conflict” that risks the representation being “materially limited” (e.g., RPC 1.7(a)).

The case ultimately settled (confidential terms).
Axcess International v. Baker Botts LLP (Northern District of Texas)
Axcess hired BB in 1998 to draft patent applications for RFID technology.

Complaint: Unbeknownst to Axcess, BB began representing a competitor, Savi, by pursuing conflicting patents on same disclosed inventions.

Complaint alleges that Axcess informed BB in 2002 that one of Savi’s press releases described product appeared to infringe Axcess’s patent, but BB did not reveal the conflict.

Axcess did not know of BB’s dual representation of Savi and Axcess until 2009 when Savi accused Axcess of infringing some of its RFID patents.

Complaint alleges BB did not advise Axcess to file the appropriate interference papers with respect to particular patents.

Complaint alleges that patents issued to Savi in the RFID space led to contract with the DoD > $1 billion and to its specifications incorporated into ISO standards.
Lessons learned:

Clear subject matter conflicts, especially when clients are competitors or inventions are in a similar patent space.

What is a “similar patent space”? Obviously not “all electronics”, certainly “same invention”, and unclear for the “RFID space”
Tethys Bioscience v. Mintz Levin (Northern Dist. of California)
Mintz prosecuted patent application for Tethys

Mintz used similar stock language in application for other client ATTC

Similar technologies?

• Tethys’ application directed towards method that identifies biological markers on whether you are likely to develop diabetes.
• ATCC’s application directed towards method that identifies probability you will develop diabetes.

Tethys claimed that Mintz disclosed its confidential intellectual property to another client.

Tethys alleges breach of the duties of loyalty and confidentiality
Mintz did not disclose the representation of ATTC to Tethys, arguably seeking patents for “competing intellectual property”.

Mintz argues inventions are fundamentally different.

Remember: Patent application information is generally confidential until published.

Open Issue: Is high-level background information in an unpublished patent application confidential?

Open Issue: What are the risks using of template language in drafting a patent application (e.g., background section, detailed description, etc.?)?
Make sure to get informed written consent from each client where a potential conflict may exist.

Be wary of the effects of State law.

The California Court held that the California tort of conversion does not extend to the copying of patent applications.

The case has since settled (confidential terms).
Thank you!!

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