Hidden Traps: Subject Matter Conflicts of Interest in Patent Prosecution
Sandra P. Thompson, PhD

Attorneys who have been practicing for more than a day are familiar with the process of conflicts of interest searches. A new client comes into the office or firm, the attorney or conflicts team searches a client database for the name of the person or entity. If a potential conflict surfaces, the conflict must be cleared, waived or the client sent elsewhere. As law firms merge and attorneys move from firm to firm, conflict-of-interest searches become important considerations, especially regarding subject matter conflicts with respect to intellectual property.

The issue is not only ensuring that the prospective patent clients don’t present conflicts with one another, but also ensuring that their patent applications don’t present conflicts. A subject matter conflict search is equally as important as an entity/individual conflict search. This type of additional search is not related to the inventors, assignee or research team, but is directly related to the patent application disclosure. Ignoring these searches can create mountains of problems down the road ranging from allegations of inequitable conduct to patent invalidity.

Competitors
If reviewing subject matter conflicts of interest is new to your or your company, there are several steps you can take to make this new process more efficient and streamlined. First, you need to build a list of competitors and parties interested in your company’s technology area. Under the America Invents Act, the United States Patent & Trademark Office established a post-grant opposition procedure. The European Patent Office already has one in place. A list of companies and individuals allows you to set up intellectual property and technology watches that alert you when they file trademarks, patent applications and put out press releases. However, it is important to move quickly under the patent post-grant opposition procedure, because you have to make a decision to pursue, gather the information you will need and file the petition within a few months of allowance.

The best way to develop this list is identify one or two technology leaders at your company and develop the basic list. This first list may be 1-2 companies or 10-20 companies. If you have already sent a list of competitors to your outside counsel, you should calendar to review it with them every six months to ensure that you have provided any new information to them and to ensure that the outside firm understands how important this issue is to your company.

Training
Organize a first basic training for key members of your company, including management, sales and technology/product development. Initially, it is appropriate to reach out to outside counsel to provide this training. Outside patent counsel is probably better able to develop presentations and accompanying materials, because this information benefits all of their corporate clients. Once the general training materials are developed and utilized, the company may decide to develop additional training materials on their own that are better suited to its specific business.

The training should focus on the basics of subject matter conflicts, why it is important to monitor them and then move into a brainstorming session regarding your competitor list. You should provide your initial list and give the group 10-20 minutes to provide additional competitors and potential competitors, and this is the perfect time to do it, because you have laid out why identification of competitors is important. Finally, provide them with a takeaway form that they can give to their group members, so that if any competitors were missed, you can capture that information. Once you finalize that list, provide it to your outside counsel and ask them to a) run conflicts on the list, and b) add the companies and names on that list to their conflict system as “related parties” or “adverse parties” to your matters.

A complete and two-way training program also involves your company-side team training outside counsel. Ideally,
technical and sales teams should review their work with outside counsel quarterly. If outside counsel adds new attorneys to their patent team, those attorneys should be asked to participate in this training as well. This information will inform outside counsel as to how your business operates, how your products or services are advertised, sold and protected. It will also help outside counsel spot issues that might be relevant to your company, such as new initiatives by the USPTO, labor and employment issues, and legal developments with competitors or similar businesses that may be suitable for future training.

How often should training take place? For some groups at the company, such as human resources and management, training may be appropriate once or twice a year. Other groups, such as the technical groups and sales team, should receive regular quarterly training. Written resources should be provided online or as a company intellectual property manual that is provided during hiring and returned to the company, if the employee leaves.

Alerts and Triggering Events
Set up Google alerts (or other similar search spiders) on that list you just developed. As mentioned in an earlier article, a list of companies and individuals allows you to set up intellectual property and technology watches that alert you when they file trademarks, patent applications and put out press releases. However, it is important to move quickly under the patent post-grant opposition procedure, because you have to make a decision to pursue, gather the information you will need and file the petition within a few months of allowance. Developing an alert system allows you to monitor this group easily and on a regular basis.

Develop a system for organizing triggering events, such as trade shows, scientific meetings and other public presentations. This list can also include employees who have left the company. This system may be a simple as a spreadsheet or may be as complicated as a docket system, where each event can have a set of reminders and notes added. This system has a lot of advantages, but with respect to subject matter conflicts, it lets your team review with the presenter in advance or right after the event to review whether they saw anything or spoke with anyone who could be a potential competitor or interested party. With respect to employees who have left the company, your company wants to track them to ensure they aren’t setting up competing businesses or possibly utilizing trade secrets or proprietary information in their new venture. The regular review of this information will start to develop a culture of intellectual property consideration at your company. Finally, you want to identify someone in your team to stay on top of this information, keep it organized and provide updates at regular meetings. You have a lot of things on your schedule, so the suggestion that you take on this additional work may be unreasonable. However, the goal here is to provide a foundation for the idea that these conflicts are important to your company’s bottom line, provide questions and talking points you can use when you discuss these conflicts with your outside counsel, and provide information for your company on how to set up internal systems, so that this process is streamlined and becomes a part of your company’s general procedure.

For more information on these types of conflicts and additional systems you can put in place, visit www.buchalter.com

Sandra Thompson is a Shareholder in the Corporate and Intellectual Property Practice Groups in the Orange County office. She can be reached at 949.224.6282 or sthompson@buchalter.com.