

June 11, 2004

Mr. Harry I. Moatz
Director, Office of Enrollment and Discipline
Mail Stop OED-Ethics Rules
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Re: *Comments on Proposed Rules (37 C.F.R. Part 11*
On behalf of Heller Ehrman White & McAuliffe LLP

Dear Mr. Moatz:

I write on behalf of the law firm of Heller Ehrman White & McAuliffe LLP (“Heller Ehrman”) to provide comments on the PTO’s proposed new rules governing the Representation of Others before the PTO. Heller Ehrman’s Patents and Trademarks Practice Group is actively involved in practice before the PTO. My firm specializes in representing lawyers and law firms on ethical matters, and we represent a number of law firms and lawyers who practice in the intellectual property field.

General comments

Process. The PTO’s effort to modernize its rules and to bring them into increased conformity with ABA standards and state law is a positive initiative. But the endeavor of writing an entire code of ethics for PTO practitioners is daunting, important and complex. Detail, nuance and consistency with other jurisdictions are all important, and the PTO needs to ensure that its rules comport with, and are workable in, actual practice. (As the PTO’s announcements have already acknowledged, for instance, the PTO’s proposed rules are based on an outdated set of the ABA Model Rules that pre-date the Ethics 2000 process.)

To ensure that the PTO rules are practical, effective and avoid unnecessary inconsistency with other jurisdictions, the PTO should consult with the PTO Bar and ethics experts. To that end, we strongly urge the PTO to appoint an advisory commission to help the PTO to prepare the final set of rules. We think the resulting dialogue will be fruitful and lead to an improved set of rules. A one-time public comment process does not provide adequate back-and-forth to flesh out all of the complex issues involved in preparing a highly revised version of the ABA Model Rules designed specifically for PTO practice.

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Uniformity with state rules. The PTO's stated goal of bringing its rules into increased conformity with prevailing state rules is a worthy one, but the present draft does not achieve this goal for two reasons. First, the present draft actually differs significantly from the outdated set of ABA rules the PTO used as its starting place. The differences are so significant that they undermine the PTO's purpose of attempting to adopt an established, known standard. PTO practitioners will have to study the PTO rules carefully to discern the many significant differences between the PTO rule, the ABA rules and the practitioners' own state ethics rules. As lawyers who advise other lawyers, we cannot emphasize for you how daunting this task is for ordinary practicing lawyers. The law governing lawyers is already so complex that few lawyers can keep up on all the relevant developments. We therefore think it will advance compliance if the PTO rules hewed much more closely to whatever set of ABA rules the PTO uses as a starting point.

Second, the PTO has expressly requested comment on whether to adopt the latest version of the ABA rules, which resulted from the Ethics 2000 process, as the starting point for the PTO rules. We support using the most recent ABA rules. At the conclusion of the Ethics 2000 process, the ABA extensively revised its rules, and many states are presently examining those proposed changes and considering whether to adopt them. The Ethics 2000 process modernized the rules in general and addressed problems and questions that had arisen since the Model Rules' original promulgation in 1983. By using an older set of ABA rules, the PTO rules omit some important provisions that Ethics 2000 brought to the Model Rules. For instance, ABA Model Rule 1.6 was updated to clarify that a lawyer may seek advice from on another lawyer on ethical questions; Rule 2.2, relating to a lawyer's work as an "intermediary" was deleted, while a detailed rule on lawyers acting as "neutrals" was added as Rule 2.4; a new rule on conflicts arising from contact with a prospective client was added (Rule 1.18); and important commentary was added to the main conflicts rule, Rule 1.7, concerning "thrust-upon" conflicts and advance waivers of conflicts.

Omission of ABA commentary. The PTO has for the most part omitted the ABA's official discussion of the Model Rules. That omission is troubling, because the commentary forms an integral part of the ABA rules, and the black-letter of the ABA rules was intended to be read in conjunction with the commentary. The PTO's decision to omit the commentary could be misinterpreted as an indication that the ABA commentary is not applicable to the PTO rules or even worthy of consideration in interpreting the PTO rules. The PTO could avoid this problem by adding a regulation that explains that the ABA commentary is generally applicable to the PTO Rules, unless the ABA commentary is inconsistent with the PTO's version of the rule. That would work-around the problem presented by the Code of Federal Regulations format, which evidently does not permit publication of "commentary" to regulations. We suggest the following language be added to

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the PTO's rules: "The official discussion to the ABA Model Rules shall be incorporated herein and deemed applicable to these rules."

PTO's introductory commentary. We have serious concerns about the PTO commentary, which contains discussion of a good deal of substantive law governing lawyers without adequate consideration of extensive relevant case law or the effect the commentary could have on the standard of care in civil malpractice cases. Further, the PTO commentary raises further questions about whether the PTO disagrees with the ABA's official discussion (see prior paragraph) and whether the PTO intends its comments on the law governing lawyers to be cited in PTO disciplinary proceedings or to serve as a basis for discipline. This is another reason the PTO should adopt the ABA commentary instead of the commentary at the beginning of the current PTO proposal.

Create special rule concerning invention promoters. The proposed rules reflect a very strong emphasis on regulating attorneys who work with invention promoters. Plainly, the PTO is very concerned about protecting consumers from unscrupulous invention promoters. We understand and support the PTO's need to ensure that PTO practitioners who work in conjunction with invention promoters adhere to appropriate ethical standards. However, we suggest that the emphasis on this one particular issue unduly pervades the proposed rules as a whole, leading to some unintended consequences. It seems to us that the special problems invention promoters present should be addressed in a special rule or rules rather than trying to adapt the entire set of rules to address this one particular problem. The advisory committee we propose could help draft this rule.

Transition period. The proposed rules are quite different from the existing PTO rules. To be fair to practitioners, at least some of the rules should not apply to current matters – particularly the conflicts rules. Otherwise, practitioners may need to re-do conflict disclosures, and obtain written consents, on many existing matters, which is an undue burden on both the practitioners and their clients.

Choice of law/what constitutes practice before the PTO.

Rule 11.805 states the scope of the PTO rules. Rule 11.805 provides that the PTO will apply its own rules only to practice "before the Office" but otherwise will apply relevant state disciplinary rules for lawyers admitted in one or more states. We support this approach.

However, we are concerned at the inconsistent references to what constitutes practice before the PTO. Some rules use the language "a client having immediate or

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prospective business before the Office” (E.g., Rules 11.103, 11.104, 11.113(b), 11.115, 11.116, 11.201, 11.202, 11.203, 11.302(b), 11.401, 11.402, 11.403, 11.404, 11.703.) Other rules use the language “in regard to practice before the Office.” (Rules 11.106, 11.109, 11.303, 11.304, 11.307, 11.503, 11.504.) The rules should have one consistent standard to describe practice before the Office, and that standard need be stated once only: in Rule 11.805. (We do, however, see one substantive rule that requires a specific reference to choice of law, and we discuss that in detail below.)

We suggest that Rule 11.805 state that the PTO rules apply only to “practice before the PTO, which includes legal services provided to a client having immediate business before the Office and which services are in furtherance of the client’s immediate business before the Office.” The alternative “in regard to practice before the PTO” is too vague and will cause confusion.

In addition, the following rules have some specific problems that require clarification:

- **Rule 11.105(a)** lacks any qualification on its scope; it therefore governs any fee charged by the practitioner in any matter, whether related to practice before the PTO or not. But the other subdivisions of rule 11.105 apply only to PTO practice. We see no valid reason for this distinction, particularly given that Rule 11.805 leads us to believe that the PTO does not intend to regulate fees a patent lawyer charges in matters *not* before the PTO.

The confusion in Rule 11.105 leads to a broader point: the inclusion of “choice of law” language in certain substantive rules but not others creates confusion about the scope of the PTO’s rules. Addressing choice of law issues in some but not all of the substantive rules (such as in Rule 11.105) brings into doubt the meaning of Rule 11.805’s global statements about the scope of the PTO’s rules. We suggest that all references to practice before the office be eliminated in Rule 11.105, leaving the scope of Rule 1.5 – like all of the PTO’s rules – to be addressed by Rule 11.805. This will avoid confusion and make the rules easier for practitioners to understand.

- **Rule 11.103(b)** refers to practice before the PTO, but the rule’s other subdivisions don’t include this limitation. It appears the PTO draft intends for the reader to carry the qualification on subdivision (b)

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through to all remaining subdivisions of Rule 11.103, but this is not clear. Again, we recommend centralizing choice of law provisions in Rule 11.805, and deleting choice of law language from rules such as Rule 11.103, to resolve this problem.

- **Rules 11.305, 11.501, 11.502 and 11.505**, unlike most of the rules, have no limitation on their scope and thus seem to apply to a lawyer's work on non-PTO matters, unless Rule 11.805 is intended to limit this rule's scope. This is another example of the confusion caused by addressing the scope of the PTO rules piecemeal rather than in Rule 11.805. Here again, we recommend centralizing choice of law provisions in Rule 11.805, and deleting choice of law language from substantive rules to resolve this problem.
- **Rule 11.117**, which regulates the sale of a law practice, is a special rule that requires clarification of its scope beyond the general provisions of Rule 11.805. The proposed rule now states that it regulates only "practice involving patent or trademark matters before the office." The problem is that a lawyer selling a mixed practice of PTO and non-PTO work could face conflicting obligations between state law and the PTO rules. To avoid such conflict and confusion – which could effectively block a lawyer from selling a practice – we suggest that the rule be amended to state the following rule: if a lawyer admitted to practice before the PTO and also in the state where the lawyer's principal office is located, then that state's law shall govern the lawyer's sale of his or her practice.

Rule 11.100

We are troubled by Rule 11.100(c)'s statement that the proposed PTO rules "are . . . partly obligatory and disciplinary and partly constitutive and descriptive in that they define a practitioner's professional role." It appears (though not clearly) that proposed Rule 11.100 is intended to create a dichotomy between "aspirational" rules, or rules of best practice, and disciplinary rules that define minimum standards. That dichotomy is inherently confusing. Problems with implementing just such a scheme was one of the reasons the ABA abandoned the Model Code in 1983. The Model Code set forth aspirational "ethical considerations" along with "disciplinary rules." The Model Rules dropped that dichotomy and now purports to set forth only disciplinary rules. Disciplinary rules must be clear and unambiguous, so we recommend deleting Rule 11.100 in its entirety.

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Another problem with Rule 11.100 is its statement that practitioners should “expand [their] analysis” from more general rules to specific rules. That statement is somewhat baffling and potentially misleading. It can be misleading because, for instance, confidentiality – a “general” rule – usually trumps other rules unless expressly stated otherwise. Lawyers could easily be misled by this language into finding exceptions to rules that do not exist. As one example, a lawyers reading the language we quote could believe themselves obligated to breach one client’s confidentiality to make a required conflict disclosure to another client. *See* ABA Rule 1.7, comment [19] (where attorney cannot make required disclosure to one client due to duty of confidentiality owed to another client, attorney cannot accept matter for first client). Again, we suggest that rule 11.100 be deleted, which would move the PTO rules toward conformity with the ABA Model Rules.

Rule 11.101 (Competence)

Proposed PTO rule 11.101 constitutes a major departure from ABA Rule 1.1. The ABA rule is a one-sentence rule that addresses an attorney’s duty of competent representation to a client.

Subsection (c)(3). This subsection’s prohibition on using procedures that the PTO no longer authorizes is not practical in light of what we are told are frequent, and sometimes subtle, changes in PTO procedures. There is no need to include this specific prohibition when the rule already states, in subsections (a) and (b), that an attorney’s representation must be competent as measured by the standard of care for similar practitioners. Here again, an advisory committee could help the PTO devise solutions that are practical for PTO practitioners and solve the problems or issues that led the PTO to make this specific proposal.

Subsection (c)(4). ABA Rule 1.1 regulates an attorney’s duty to his or her clients. The PTO proposes to add a “Rule 11”-like standard to this rule. But Rule 11 of the Federal Rules of Civil Procedure reflects an entirely different concept than the duty of competent representation. Rule 11 imposes limits on the extent to which a lawyer’s zeal on behalf of a client must be tempered by the lawyer’s duty to the court not to present frivolous arguments. Rule 11 regulates the attorney’s duty to the court, not to the client.

Mixing two different concepts will cause confusion. To eliminate this confusion, and to bring the PTO rules into conformity with the ABA rules, we suggest at a minimum moving the Rule 11 language in draft rule 11.101 to the PTO procedural rules. For the same reason, proposed rule 11.101(c)(2), relating to withholding information about copying claims from another person’s patent, would seem better handled in PTO procedural

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rules rather than in rules of ethics that are designed to be consistent with the national standard. It seems to us that practitioners would naturally look for restrictions of this nature in the PTO's procedural rules, just as practitioners find Rule 11 in the Federal Rules of Civil Procedure, not the rules of ethics.

More substantively, it is not clear to us that the Rule 11 paradigm, which was devised for civil litigation, is an appropriate "fit" for patent and trademark practice before the PTO. More consultation is necessary with the PTO bar to determine what constitutes a "frivolous" trademark or patent application. As long as a client is advised by his or her counsel that an application is innovative, or pushing the limits of patentability or prior art, the client should have the right to present the application with the assistance of counsel. In fact, it is not unknown to patent attorneys to have advised an inventor that an application was unlikely to succeed only to find that the PTO grants the application. This is part of the give-and-take the patenting process contemplates and is one of the services the PTO provides to the public.

Rule 11.102 (Role of lawyer and client)

Written consent requirement. Proposed Rule 11.102(c) conflicts with the ABA rule (and many state rules) insofar as it requires the client's written consent after full disclosure to any limitation on the "objective" of the representation. It would be impractical for practitioners to try to comply with the proposed rule. In day-to-day practice, strategic decisions are made constantly, and those decisions can be said to affect the scope of the representation. For instance, if an inventor begins with a goal to achieve broad patent protection, but an office action identifies pertinent prior art, the inventor's goal may necessarily become more modest. Or a client may set out with the intention of prosecuting patents not only in the United States but in numerous other countries, only to decide later to file applications only in some of those countries.

It really does not make sense to require a practitioner to be compelled obtain the client's informed written consent in every situation like this. The ABA rules, which are the product of an extensive process that includes input from ethics experts and other interested persons from all over the country, contain no such writing requirement. The ABA rules strike a careful balance between client protection and unreasonable burdens on practitioners and clients. We believe that both attorneys and clients will find the PTO's proposed rule impractical and unnecessarily burdensome.

To the extent the PTO intended the informed consent requirement to address an aspect of the invention promoter problem, we think those problems can better be

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addressed in a special rule. As we understand it, the PTO's concern is that invention promoters, acting on behalf of inventors, retain patent prosecution counsel. The promoter pays counsel a modest fee, often inadequate for counsel to perform a quality job for the client. The promoter may thus, expressly or impliedly, limit the goal of the representation so that counsel does not pursue the broadest possible patent protection for the inventor, because broader protection would require more legal work. A more practical solution to this problem would be to have a rule that requires the client's informed written consent before the attorney may accept instructions from an outside agent, who is not an attorney, and who purports to act on the client's behalf.

Fraud reporting obligation. Rule 11.102(g) creates another new, PTO-only rule that requires a practitioner to report fraud on the PTO, but only if the practitioner's knowledge is not based on a privileged communication. At a minimum, this provision should be relocated to Rule 11.303 (candor to tribunal), because that is where someone familiar with the Model Rules would look to find reporting obligations such as this. Once moved to that rule, it should be examined for consistency with Rule 11.303's other provisions.

The rule should also clarify whether it considers the PTO to be a "tribunal." The PTO is not a "tribunal" (*i.e.*, a court) in patent prosecution matters but it could be viewed as one in interferences or appeals. It would be helpful to specify disclosure "to the Office," rather than the tribunal, if that is what the rules intend to require.

Rule 11.103 (Diligence and zeal)

As with Rule 11.101, proposed rule 11.103 constitutes a major departure from ABA Rule 1.3. The ABA rule is a one-sentence rule, while the proposed PTO rule is much longer and more detailed. We do not see the need for the prohibition in subdivision (c)(3) on intentionally "damaging or prejudicing the client during the course of the professional relationship." The ABA rules already prohibit incompetent representation and, by virtue of that restriction, prohibit client abandonment.

Rule 11.104 (Communication)

The PTO has added to Rule 11.104 a special requirement that a practitioner obtain written consent from a foreign client before communicating with a foreign attorney or agent on the client's behalf. Rule 11.104(a)(2). This departure from the ABA standards is very impractical. Patent attorneys customarily deal with foreign attorneys acting on behalf of foreign clients. Given the differences in language and culture, not to mention the

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practicalities of geography and time zones, the PTO's proposal to ignore the limitations on U.S. practitioners' ability to have direct relationships with foreign clients is not practical. It is not clear what problem the PTO is seeking to solve through this proposal; this is the type of area where an advisory committee could consider whatever circumstances led the PTO to adopt make this proposal and could work with the PTO to devise possible solutions.

Rule 11.106 (Confidentiality)

This proposed rule requires written consent for any disclosure of confidential information that is not impliedly authorized to carry out the representation or within the scope of exceptions to confidentiality, such as preventing the client from committing certain criminal acts. This is a major departure from the ABA rule, which does not require such consent to be in writing. This is not a workable or prudent standard. Here again, lawyers and clients frequently make day-to-day decisions about what information to keep confidential and what not.

Subdivision (c) states that an attorney shall use "client information" to comply with PTO Rule 1.56 [duty of candor in patent prosecution]. This rule is ambiguous. We presume it means: "In prosecuting a patent, a practitioner shall use or reveal information the applicant's confidential information as necessary to comply with § 1.56 of this subchapter." We suggest revising subdivision (c) using the language we have drafted because, otherwise, the rule could be read to require attorneys to divulge confidential information about clients *other than* the applicant, which an attorney is prohibited in all 50 states from doing.

Subdivision (d) doesn't make any sense as written – it seems that there are words missing.

Subdivision (f), relating to staff, can be read to imply that staff members can make decisions about when an exception to confidentiality applies, such as to prevent the client from committing certain criminal acts. If that is intended, the idea is very dangerous for clients and also for lawyers who could be held liable for improper disclosure of confidential information. Non-lawyers should not be entrusted with the responsibility of making such important and legally complex decisions. Clients will be endangered if non-lawyers are given this responsibility.

Subdivision (g) adds a new provision to specify that the duty of confidentiality remains in force after termination of employment, except as provided in PTO Rule 1.56. The reference to Rule 1.56 raises a number of questions. For instance, are the other exceptions to confidentiality identified in Rule 11.106 invalid after termination of employment? Such a

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result would seem to be incorrect. For instance, the self-defense exception (lawyer may reveal information in dispute with client) usually comes into play *after* the representation has ended. If subdivision (g) is retained, it would be better to specify that the continuing duty of confidentiality after termination of employment is subject to *all* of the exceptions identified in Rule 11.106.

Rules 11.107, 11.108, 11.109 (Conflicts)

The PTO's proposed conflicts rules diverge from the ABA quite significantly in three ways. First, PTO proposes to replace "informed consent," a defined term in the ABA rules, with the new phrase "full disclosure." Compare ABA Model Rule 1.0(e) with PTO Proposed Rule 11.1. The PTO's proposed definition is complicated and does not actually add much to the ABA's "informed consent" definition. While the ABA requires disclosure of "material risks of and reasonably available alternatives to the proposed course of conduct," the proposed PTO definition goes into greater detail about, for instance, potential liabilities the client might incur. *To the extent the PTO's special definition is motivated by ongoing problems with invention promoters, we think a special rule for invention promoters would be a better way to address the problem.*

Having the PTO's rules incorporate the ABA's definition of "informed consent" would greatly further the PTO's goal of increasing uniformity in rules and also in compliance and enforcement, because the PTO and practitioners will be able to tap into precedent interpreting the ABA rules rather than attempting to re-invent the wheel. Uniformity is particularly important in the field of conflicts and will increase the ability of lawyers to comply with the conflicts rules.

The PTO's second significant change to the ABA conflicts rules involves changing the writing requirement from "confirmed in writing" to "consent in writing." By making this change, the PTO is departing from the majority rule and, instead, adopting a very small minority view that all conflicts disclosures and consents must be in writing. The ABA's "confirmed in writing" requirement was the result of much negotiation and debate at the ABA. If the PTO were to follow the ABA rule on this point, then uniformity would obviously be increased – without any decrease in client protection. The PTO would still have the benefit of a rule that requires the consent to be confirmed in writing, thus eliminating the prospects of conflicting memories between lawyers and clients about whether consent was granted.

Third, as noted earlier, the PTO's proposal omits the ABA's official commentary. This omission is particularly troubling with regard to the conflicts rules, which

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are complex. Some critical concepts are addressed only in the ABA commentary, not in the black letter rule, and then only in the more recent, Ethics 2000 version of the ABA rules (e.g., thrust-upon conflicts and prospective waivers).

Rule 11.303

The commentary to Rule 11.303 (68 Fed. Reg. 69491) expands a patent attorney's duty of candor to the PTO *for the entire length of the patent*. This is a significant change from current law and is unwise. For instance, what if, after issuance of the patent, the lawyer learns of material information in litigation? Or the lawyer could learn of material information while representing an adversary of the client for whom the lawyer previously prosecuted a patent. These situations are likely to cause the lawyer to have conflicting duties and obligations, when there is no need to create such problems. The duty of candor should terminate upon issuance of the patent, or the lawyer's withdrawal from representing the client.

Rule 11.5(b)

While we have generally focused our comments on Subpart D of the proposal, portions of Subpart A also concern us. Rule 11.5(b) is one. In Rule 11.5(b), the PTO sets out a broad definition of what tasks constitute practice before the PTO and, thus, may not be conducted by someone not licensed by the PTO as a practitioner. Given how broad the definition is – encompassing, for instance, any “participation” in drafting a claim or specification – the rule should specify that a lawyer may employ non-attorney assistants – such as law clerks, patent agents or paralegals – to assist the lawyer. The use of such assistance, subject to appropriate lawyer supervision, is a well accepted, common practice and necessary to provide cost-efficient services to clients. (See ABA Rule 5.3; proposed PTO Rule 11.503.)

Rule 11.16

This rule sets out very broad authority for the PTO to examine all of an attorneys' financial records, and not just trust account records. We do not see the justification for this rule, which requires no showing of necessity or probable cause by the PTO and which has no safeguards for the attorney. Before adopting these rules, it seems to us that the burden is on the PTO to justify a necessity and a legal basis for such a rule. The commentary to Rule 11.16 sets forth neither. By way of comparison, we direct the PTO to California's rules on review of attorney financial records by the State Bar. The California State Bar may review *trust account* records if there is a basis for doing so. Cal. Bus. & Prof.

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Code §§ 6091-6091.2. Since trust accounts by definition do not contain a lawyer's own funds, and the proper administration of trust accounts is within the scope of attorney disciplinary rules, the State Bar's power to review the records is appropriate. But the California rules have more stringent standards, and review mechanisms, for reviewing other financial records. Cal. Bus. & Prof. Code § 6049(b); State Bar R. Proc. 150(c). We suggest the PTO adopt a more narrowly crafted tailored to legitimate purposes, and that the PTO provide a mechanism for review and approval of investigative subpoenas to limit the possibility of abuse of this mechanism.

Very truly yours,

Sean M. SeLegue

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