

This is a submission created as a response to the Consulting Paper concerning the *Review of the Code of Conduct for Patent and Trade Marks Attorneys 2013 (Cth)*<sup>1</sup>, hereinafter the Code, to incorporate “any appropriate amendments within one year of the date of entry into effect of the Arrangement”<sup>2</sup> approved in March 2013 by the governments of Australia and New Zealand, referred to hereinafter as the “Arrangement”<sup>3</sup>, which created the *Trans-Tasman IP Attorney Board*<sup>4</sup>, formerly known as *The Professional Standards Board for Patent and Trade Marks Attorneys*.

This submission aims to propose amendments that may be of interest of all IP attorneys (trade marks attorneys included) to be incorporated into the Code. It is our implied argument that the Code review, although applicable to patent-attorneys only, will indirectly affect trade marks attorneys due to the perception of how ethical rules will be enforced when patent practice evolves between the two jurisdictions. We argue that any change in the Code has the potential to impact trade marks attorneys’ practice in conducting their business and practicing trade mark work. The solutions proposed and the amendments suggested to be incorporated in the Code of Conduct are described in section g) Answering Questions on Issues Raised in the Consultation Paper.

When we refer to patent attorneys (and trademarks attorneys) in this submission, we refer to registered patent attorneys, trade marks attorneys and agents<sup>5</sup> registered under the *Trans-Tasman IP Attorneys Board (the Board)*<sup>6</sup>. This submission is also devoted to ethics in the legal profession and will deal with the legal issues related to registered patent-attorneys. We would like to contribute with suggestions regarding applied ethics to legal services, in this *Response to the Consultation Paper for the Review of the Code of Conduct for Patent and Trade Marks Attorneys 2013 (Cth)*<sup>7</sup> as we believe that it will have a positive impact on IP members of the *Trans-Tasman IP Attorneys Board*<sup>8</sup>.

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<sup>1</sup> See, Australian Government, Trans-Tasman IP Attorneys Board, *Review of the Code of Conduct*, (April 2017) Consultation Paper, <<https://www.ttipattorney.gov.au/sites/g/files/net2711/f/trans-tasman-ip-attorneys-board-review-of-the-code-of-conduct-consultation-paper.pdf>>

<sup>2</sup> See, New Zealand Intellectual Property Office, *Trans-Tasman patent attorney regime comes into force*, <<https://www.iponz.govt.nz/news/trans-tasman-patent-attorney-regime-comes-into-force/>>. See also, Australian Government IP Australia, *Single Patent Attorney Regulatory Regime with New Zealand commences*, <<https://www.ipaustralia.gov.au/about-us/news-and-community/news/single-patent-attorney-regulatory-regime-new-zealand-commence>>

The Arrangement includes two legislative acts from New Zealand and Australia, *Patent (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016* and *Intellectual Property Laws Amendment Act 2015*, Schedule 4.

<sup>3</sup> The Arrangement was enacted by two coordinated Acts from New Zealand and Australia, *Patent (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016* and *Intellectual Property Laws Amendment Act 2015*, Schedule 4 respectively.

<sup>4</sup> See, Australian Government, *Trans-Tasman IP Attorneys Board*, <<https://www.ttipattorney.gov.au/>>.

<sup>5</sup> In New Zealand, trade marks practice is performed by agents, however, if one looks at *Regulation 23*, in the Trade Marks Regulations 2002 (NZ), Part 3, Agents, the assumption is that agents, to qualify for trade mark practice, must be barristers or solicitors by training accepted by the *Lawyers and Conveyancers Act 2006* (NZ) or are allowed to practice before the Intellectual Property Office of New Zealand. As members of the Trans-Tasman IP Attorneys Board, we do not intend to make any suggestions what will be applied as rules and regulations to New Zealand trade marks agents but to point it out that they are qualified as barristers and attorneys, so they have also fiduciary obligations. See, New Zealand Government, New Zealand Intellectual Office, *Trade Marks 2002* (NZ), Practice Guidelines, *Regulation 23*, Commissioner may refuse to recognize person as agent, Regulation 23, (a), (b), (c), (d), (e) <<https://www.iponz.govt.nz/about-ip/trade-marks/practice-guidelines/current/agents/>>

<sup>6</sup> See, Australian Government, *Trans-Tasman IP Attorneys Board*, <<https://www.ttipattorney.gov.au/>>.

<sup>7</sup> See, Australian Government, *Trans-Tasman IP Attorneys Board*, <<https://www.ttipattorney.gov.au/>>.

<sup>8</sup> See, Australian Government, *Trans-Tasman IP Attorneys Board*, <<https://www.ttipattorney.gov.au/>>.

We guide our arguments to stay in the frame of mind presented at the *Consultation Paper*, notwithstanding that some themes may be implied by our arguments for amendments. We made a clear decision to concentrate our arguments on these two key issues presented in the Consultation Paper, namely concerning with conflicts of interests and fiduciary obligations. These are major legal issues for discussion connected to matters of competency, compliance, duty and breach of a duty, duty-interest conflict, duty-duty conflict, fully informed consent, confidentiality duty, loyalty, non-fiduciary duties and even the perception of neutrality for clients are elements co-related with these two key issues. Thus, while we discuss these two topics of importance, all these elements above may appear in case law or peer-reviewed papers, from where we intend to highlight their relevance to the amendment of the Code. Our methodology includes primary sources such as relevant local and international jurisprudence, peer-reviewed papers and local and international legislation, particularly international law, which will provide arguments to support our submission. The aim is not to construe an exhaustive paper as conflict of interests and fiduciary obligations could not be dealt in one submission extensively, but rather to demonstrate workable solutions to be inserted into the review of the Code. Our opinions are our own.

This submission is divided into:

- a) Issues of Constitutionality for the Subject-Matter, Intellectual Property;
- b) Issues with Fact-Based and State-Based Fiduciary Duties;
- c) Fiduciary Duties Australian, International Jurisprudence;
- d) The Process of Acquiring Patent Rights, a scientific and legal skill;
- e) Conflict of Interests; Equal Application of Conflict of Interests' Provisions;
- f) Multi-Disciplinary Partnerships Ethics and Other Concerns;
- g) Answering Questions on Issues Raised in the Consultation Paper.

#### **a) Issues of Constitutionality for the Subject-Matter, Intellectual Property**

Intellectual property (IP) is a granted protection given by constitutional mechanisms in most nations because of the importance for trade and commerce. IP consists of patents, trade marks, designs, copyrights, trade secrets or confidentiality agreements are granted rights to individuals and companies in order to achieve and develop a strong economy for countries<sup>9</sup>. Lawyers, attorneys, and agents in IP contribute to these intangible assets creation by supporting the administration of intellectual property rights in our countries. In helping clients to assert their intellectual property rights, legal professionals are supporting the local government to improve enforcement and protection of intangible rights. That is our basic argument to protect patent-attorneys: an occupation almost akin of a public servant in trust and classified as a primary activity consistent to legal services in the community<sup>10</sup>. Yet, lawyers, solicitors, barristers and attorneys (for patents and trade marks) or agents are not public servants. Most of IP management is administration of intangible rights and obligations so it must be also seen as a consumer's activity with an ethical aim. The assumption that lawyers, attorneys, solicitors, barristers must deliver to real consumers of legal

<sup>9</sup> See, *The Australian Constitution*, Legislative powers of the Parliament, section 51. See, also Legislation Design and Advisory Committee, *Basic Constitutional Principles and values of New Zealand Law*, Respect of the Treaty of Waitangi, *The Treaty of Waitangi*, Part 1.4. Property Rights, in which intellectual property rights should be entitled and peacefully enjoyed by their people, no future legislation shall interfere with it.

<[http://www.ldac.org.nz/guidelines/lac-revised-guidelines/chapter-3/#part\\_1.4](http://www.ldac.org.nz/guidelines/lac-revised-guidelines/chapter-3/#part_1.4)>

<sup>10</sup> See, Australian Bureau of Statistics, *Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 (Revision 2.0)* (last updated 26/06/2013)

<<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/683403A3ECA0B1DBCA257B9500133CD8?opendocument>>

services a loyal service with the utmost duty of care is not subject to a variation of degree of care according to the definition of what a legal occupation is. Indeed, let's not argue about semantics. Regardless of the meaning of what an agent<sup>11</sup> is, what a solicitor is, what a barrister is, what a patent/trade marks attorney is defined, all these occupations are eligible to be members of the *Trans-Tasman IP Board*<sup>12</sup>. They must perform their obligation to deliver legal services to the best of their ability regardless of an implied duty of care. That also implies that they are experts in IP law. For instance, it is rarely the case that solicitors are experts in all areas of law, to specialize in one aspect of law is expected, so that to acquire skills and legal experience in one area of legal practice is widespread practice. IP attorneys are naturally expected to be experts in IP rights so that it is believed that similar legal and ethical issues affecting barristers and solicitors will also concern IP attorneys. Regardless of the term used to define their occupation in the legal industry, they deal with the same subject-matter, which are the rights and obligations in people's lives. People depend on good legal advice to lead their affairs in the community in an efficient (and legal) way.

One should suggest a further reflection on intellectual property nature. Intellectual property is part of the same rights of real property with a *sui generis* nature. Intellectual property is also intangible. Intellectual property rights are not distinctive in their nature from real property, so that is *why* conflicts of interest and fiduciary obligations could occur. Like real property rights, intellectual property transfers economic welfare from one party to another. IP influence the stock markets when intangible assets in a public company are to be sold to others. That is an argument we will support here – no state-protected or fact-based duty of care divides us as legal professionals<sup>13</sup>; the duty of care is always present, there is no room for arbitrary choice to be made for our fiduciary obligations as IP attorneys. Fact-based duty is a fictitious and dangerous definition to be used as an artifice for patent attorneys' duties to act with discretion towards their clients, in which such kind of behaviour increases a great deal of self-imposed risks in the patent attorney-client relationship. Having an increase on conflict of interests in court cases like in the seminal case of *Davies v Clough* (1837)<sup>14</sup> could be a reality, due to unclear rules. Let alone the consequences for the clientele. We review the disadvantages of fact-based and state-based fiduciary duties below.

#### **b) Issue with Fact-based and State-based Fiduciary Duties**

In the *Consultation Paper*, it appears that there is an assumption that patent-attorneys, unlike lawyers, do not always owe fiduciary duties to their clients by virtue of their status as attorneys.<sup>15</sup> This argument is supported by the definitions of fact-based and state-based fiduciary duties. It is a risky proposition, because it appears to attract the connotation that every situation involving a client-patent attorney relationship may be subject to be arbitrarily assessed on event on whether a

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<sup>11</sup> See, above note 5.

<sup>12</sup> See, Australian Government, *Trans-Tasman IP Attorneys Board*, < <https://www.ttipattorney.gov.au/>>.

<sup>13</sup> See, above note 1.

<sup>14</sup> See, *Davies v Clough* 8 SIM 262 (1837) 107 (V-C Sir L. Shadwell) ("For my own part, I cannot consider anything to be a greater breach of professional duty than a solicitor, first of all, as the solicitor of one party, to carry on a negotiation for the benefit of that party and have it completed, and afterwards, to act as the solicitor for other parties in order, by his own personal knowledge of the transaction, to destroy that which he had done for his former client; and that, not because he was discharged by his former client, but because he made an exorbitant demand which was resisted and ultimately defeated; so that he virtually discharged himself. Such conduct appears to me to be such a fragrant breach of that duty which a solicitor owes to his client that the Court is bound to interfere.")

<sup>15</sup> See, Australian Government, Trans-Tasman IP Attorneys Board, *Review of the Code of Conduct*, Consultation Paper ( April 2017) , page 14 <<https://www.ttipattorney.gov.au/sites/g/files/net2711/f/trans-tasman-ip-attorneys-board-review-of-the-code-of-conduct-consultation-paper.pdf>>

duty of care by an IP attorney is owed. This is also problematic for all stakeholders to have a clear expectation of their duties. First, a fiduciary duty will be subject to the balance of probabilities that a fact or situation to be raised as *non-fiducia* is isolated in a chain of situations involving clients. Perhaps in the group of actions to protect her representation to her clients, all events will be of *fiducia* nature so that it is a workable legal ethical matter. But the opposite may be true, as well. All events involved in the legal relationship of a patent-attorney and her client are of a fiduciary nature but one situation is of non-fiduciary nature at all. Does that mean that we can then isolate events in our daily business for practical purposes into categories of *fiducia assessment*? It does seem both unlikely and impractical situations for a busy law office or sole practitioner to scrutinize actions in a macro universe of clients, including from the evidence's point of view. The Australian jurisprudence does not concur with applying *ad hoc* arguments to avoid fiduciary obligations. As stated in *Biochem Pharma Inc. v. Commissioner of Patents and others* (1998)<sup>16</sup>, in which the test was whether a leave for two American attorneys allowed in oral submissions in an Australian case was argued as acting as a patent-attorney in the Australian jurisdiction. Justice Hill made a point to show what a proper conduct of Australian proceedings were, what an offence under Patents Act 1990, section 201 (1) would be and to illustrate the relationship of trust between clients and patent-attorneys. Indeed, a core element of a fiduciary duty is present when a patent-attorney is entitled to prepare documents for the benefit of a client, make records for the exclusive purpose of further communication with a client, carry on business as a patent-attorney and described herself as a patent attorney enjoying privileged communication with her client, to carry on business and practice as a patent-attorney<sup>17</sup>. The profession of a patent-attorney is highly specialized in regards to the skills and knowledge required to conduct proceedings for a patent client before a court. As such solicitors cannot be effective acting as patent-attorneys if they have no patent practice or expertise<sup>18</sup>. In the role of a patent-attorney, the judgment of responding to an Opposition of a patent application with all original claims<sup>19</sup> or advising to secure the IP subject-matter as a secret is a judgment of patent expertise.

It seems clear that without trust and confidence in a patent-attorney, a patent applicant client may be lacking proper and sound advice to manage her intellectual property rights if she does rely on the importance of practicing general law only. This is a crucial element to point out *why* the fiduciary duty is paramount to exist between patent-attorneys and clients regardless if prescribed by law or not. The intangible rights created or *to be created* in a patent right demand loyalty, competence, honesty, and trust in dealing with clients' matters. This is due to the *inner nature* of a patent right, both tangible and intangible, which its creation or its maintenance and further commercialization could become an infringement to third parties' patent rights<sup>20</sup>. Thus, a defective patent advice can

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<sup>16</sup> See, *Biochem Pharma Inc. v Commissioner of Patents & Others* (1998) FCR (Hill J) ("Legal practitioners are prohibited from preparing specifications or amendments to specifications unless acting under the instructions of a registered attorney or directed to do so by Order of a court, section 202").

<sup>17</sup> See, *Biochem Pharma Inc. v Commissioner of Patents & Others* (1998) FCR (Hill J).

<sup>18</sup> See, *Biochem Pharma Inc. v Commissioner of Patents & Others* (1998) FCR (Hill J) (clarifying that an offence under the s 201 (1) to practice, act or carry on business as a patent attorney if you are not permitted to do so).

<sup>19</sup> See, *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156, [11], [122], [123], [126], [127],[128], [134], [136], [137], [138], [139], [140] (Dowsett, Foster and Yates JJ) (discussing whether a peer reviewed article called the Leeper article did not constitute an anticipation of a claim and further whether the disclosure did not affect novelty due to disclosures of claim 6.).

<sup>20</sup> See, *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156 (Dowsett, Foster and Yates JJ) [1], [2], [107], [120], [121], [196], [197]. On another patent strategy called blocking patents, the aim is to make difficult for competitors to explore variations closer enough to the patent. The strategy consists on applying for a

bring economic hardship to a business if licensed to an incompetent licensee, it can affect negatively on a career of an inventor-employee, it can become a public information used by competitors, and it can be used in patent troll wars<sup>21</sup>. These are some examples on unsound patent strategies for commerce, so it is important to choose a competent patent-attorney to avoid pitfalls. It must be also said that from April 15th, 2013, *the Intellectual Property Laws Amendment (Raising the Bar) Act 2012* should have resolved fiduciary obligations with sections 200 (2) and 2A including communication to be privileged when exchanged with foreign attorneys<sup>22</sup>. In Australia, fiduciary duties are prescriptive in nature or a duty not to do something<sup>23</sup>. For one to educate herself not to do something, one must be guided by example so that one avoids becoming involved in non-professional and unethical conducts.

### c) Fiduciary duties – Australian and International jurisprudence

Jurisprudence is of assistance to understand fiduciary duties to lawyers, but especially to patent-attorneys (as well as to trade marks attorneys) or whether implied terms are fit for purpose. Perhaps this is why it is of great help to look at the Australian jurisprudence for the existence of fiduciary obligations like in *Hospital Products Ltd. V United States Surgical Corporation* (1984)<sup>24</sup>, in which contractual implied terms accepted by the parties could not be deduced to be in place for the common benefit of all parties involved<sup>25</sup>. More recently, *Torlonia v Wright* (2016)<sup>26</sup> revisited the relationship of fiduciary obligations. Even when fiduciary duties are implied by duty and consequently recognized by law in the relationship formed between client and patent-attorneys, *fiducia* obligation appears to arise without further controversy.

Two Australian law cases lead the test for the scope of fiduciary duties: *Maguire v Makaronis* (1997)<sup>27</sup> deals with fiduciary relationships in commercial arrangements and *Maher v Millennium Markets Pty Ltd.* (2004)<sup>28</sup>. The latter is a case of conflict of interests due to the fiduciary role, while the former is a failure to disclose information due to a fiduciary duty. Defining the fiduciary obligations is essential if the capacity to act and the duty to protect patent clients from conflict of interests is clear. Avoiding any clear line to include fiduciary obligations for patent attorney-client

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patent so broadly that the other prospective patentee applicant must seek a license to avoid infringement of the patent subject-matter. It becomes a race for first to file.

<sup>21</sup> See, Techdirt, *EFF Goes To Court to Stop Australian Patent Troll From Stifling Free Speech*, <<https://www.techdirt.com/articles/20170413/23474437147/eff-goes-to-court-to-stop-australian-patent-troll-stifling-free-speech.shtml>>

<sup>22</sup> See, The World Intellectual Property Organization, *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth), N. 35, 2012, 22 Subsection 200 (2), (2) and (2A). <<http://www.wipo.int/edocs/lexdocs/laws/en/au/au317en.pdf>>

<sup>23</sup> See, Paula Baron & Lillian Corbin, *Ethics and Legal Professionalism in Australia* (Oxford University Press, 2014) 110.

<sup>24</sup> See, *Hospital Products Ltd. V United States Surgical Corporation, Surgeons Choice* [1984] HCA 64.

<sup>25</sup> See, *Hospital Products Ltd. V United States Surgical Corporation, Surgeons Choice* [1984] HCA 64, Gibbs C.J. [23], [24], [26]-[30], [33], [38], [39], [41]; Mason J, [54], [55], [58], [61], [65], [67]-[71], [73], [75], [76], [84]-[86], [93]; Wilson J, [2], [3], [6]; Deane J, [6], [8], [9], [38], [58], [68]; Dawson J, [55], [56], [57], [59], [65].

<sup>26</sup> See, *Torlonia v Wright* [2016] NSWSC (Brereton J) (19), (21), (54), (60).

<sup>27</sup> See, *Maguire v Makaronis* [1997] 144 ALR 729, (Brennan CJ, Gaudron, Mc Hugh and Gummow JJ), [15], [20], [24], [28], [32], [37], [39], [40], [44], [59], [63], [65], [66] but see Kirby J [94]- [98], [101], [104], [106], [109], [113]- [118]. See also, Ysaiah Ross, *Ethics in Law: Lawyer's Responsibility and Accountability in Australia* (LexisNexis Butterworths, Australia, 2010) page 460.

<sup>28</sup> See, *Maher and Others v Millennium Markets & Others* [2004] VSC 174, Osborn J, [64]- [66], [75], [76], [83]-[89], [91], [93]-[97], [104]- [105], [107]-[112], [119], [159], [224], [230], [257], [258], [264], [265], [270], [275].

relationship or as an implied legal obligation will leave patent-attorneys in a situation analogous to *Caparo Industries plc v Dickman (1990)*<sup>29</sup>, a famous case of duty of care test in the English jurisprudence. In *Caparo* the test is of proximity of circumstances, foreseeability of harm and just and reasonableness elements to impose a duty of care are examined against the special circumstances involving parties. It is a leading case for duty of care in the common law jurisprudence but according to a recent speech by Justice Ruth Mc Coll AO not accepted by Australian jurisprudence, although that is debatable<sup>30</sup>.

One must realise that a duty of care situation like in *Caparo* can occur; but these are exceptions to the norm, *Caparo* is not a test to be used as a norm to examine a patent-attorney and client relationship. In short, the *Caparo* test is not a default test to be applicable to a group of professionals. Indeed, this outcome is not acceptable for intangible rights such as IP rights. In *Caparo*, the information shared was for economic gain, not to protect confidential information given in the course of a patent application or in a patent litigation between parties acting in trust. The duty of care for IP matters is not a fact-based obligation as in *Caparo*, but it is a right to prosecute patents as a privilege to patent-attorneys representing their clients' patent rights, a right bestowed by the Australian Constitution<sup>31</sup> to be awarded an intellectual property monopoly. It is not acceptable for patent-attorneys to claim trust and loyalty to their patent clients and still be lacking a Commonwealth legal protection frame to act in their business.

#### **d) The process of acquiring Patent rights, a scientific and legal skill**

A patent generates rights for the patent owner that are not limited to the invention but to the scope of the invention's claims. In the process of a patent application, one cannot forecast its economic value until the whole procedure is concluded, for instance an Opposition, in which a Patent Examiner may send a final rejection to the patent applicant.

These events in the patent procedure will measure the scope of the patent value in the world of commerce. If unopposed, a broad patent will reap unforeseen profits, but if the patent attracts infringement against other parties' patent rights, the economic value accrued will be drastically reduced<sup>32</sup>. Patent expertise is crucial to overcome Objections, Rejections or to convince an Examiner of a patent to be granted on all its claims<sup>33</sup>. Due to the specific rules of the patent procedure, not every legal professional, including solicitors, would have the ability to follow up the turns and twists

<sup>29</sup> See, *Caparo Industries plc v Dickman* [1990] WLR 35, 617 (G), 618 (A), (B), (C), (D), 619 (B), (C), (E), 623 (D), (E), 624 (G), (H), 625 (C), (D), (E) 626, (A), (B), (C), (D), (E), (G), (H), 627 (C), (D), (E), Lord Roskill, 625, 628 (C), (D), (E), (F), 630 (C), (D), (F), (G), (H), 632, 633, 635, (H), 636 (F), (G), (H), 638, 639 (G), 642, (C), 643 (H), 644, 645, 646, 650, (C), (D), (E), 651, 652, 655. See also for a good explanation of the duty of care test, David Kelly, Ruth Hayward, Ruby Hammer and John Hendy, *Business Law* (Routledge, 2005) pages 359-361.

<sup>30</sup> See, The Honourable Justice Ruth Mc Coll AO, 'How common law is the common law and other miscellany?' (Speech delivered at the Keynote Address New South Wales Bar Association Common Law Conference, Court of Appeal, Supreme Court of New South Wales, 5 March 2016) <[http://www.supremecourt.justice.nsw.gov.au/Documents/Publications/Speeches/2016%20Speeches/McColl\\_20160305\\_v2.pdf](http://www.supremecourt.justice.nsw.gov.au/Documents/Publications/Speeches/2016%20Speeches/McColl_20160305_v2.pdf)>. But see *Blackwell v Barroile Pty Limited and others* [1994] 51 FCR 347, (Davies Einfeld and Lee JJ), [51] (Justice Einfeld quoted *ipse litteris Caparo*).

<sup>31</sup> See, *Australian Constitution*, section 51, xviii.

<[http://www.austlii.edu.au/au/legis/cth/consol\\_act/coaca430/s51.html](http://www.austlii.edu.au/au/legis/cth/consol_act/coaca430/s51.html)>.

<sup>32</sup> See, *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156 (Dowsett, Foster and Yates JJ), [1], [17], [18], [20], [21], [22], [25], [120], [121], [187], [191], [195], [198], [202], [205].

<sup>33</sup> See, *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156 (Dowsett, Foster and Yates JJ), [2], [10], [11], [107], [109], [111], [113], [118], [120], [121], [122], [123], [125], [126], [133], [147].

of the Rules and Procedures of a Patent Process Application. That is a logic expected vice-versa, as it would be assumed that patent-attorneys are not versed in conveyance or family matters to offer legal services to the best of their ability, for instance.

Patent-attorneys registered at the *Trans-Tasman IP Attorneys Board (the Board)* are prepared to undertake further training courses to act in the IP profession on a regular basis to be updated on the issues that a patentable subject-matter may raise along the patent process. This is particularly true after the *Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016*<sup>34</sup> was passed in New Zealand following the *Intellectual Property Laws Amendment Bill 2014*<sup>35</sup> in Australia. The two jurisdictions have similar patent procedures but still noteworthy differences in the patent process.

Further patent practice training is necessary for the patent attorney due to the evolving nature of the patent procedure, full of complexities which are not to be overlooked or mistaken. Therefore, a clear legal contractual arrangement between a patent-attorney and a client in a commercial relationship is desirable for the patent-attorney and for the client's trust in the legal professional, including a fiduciary duty defined. Again, a subjective judgment applied in each fact-based situation is not effective.

Fact-based fiduciary duties assessments on a patent attorney-client relationship is also manifestly wrong for a decision-making process on conflict of interests. One way to solve this conundrum is to leave Courts to decide on matters of conflict of interests. But why should we leave Courts to have an extra load on cases to apply fiduciary tests for patent-attorneys (and by default to trade marks attorneys if the jurisprudence might apply for IP attorneys) in cases where subjective interpretation of fiduciary duties raised concerns for parties? Why should we contribute to a major backlog if rules can be clarified to avoid the issue in the first place? Thus, non-clarity for fiducia rules will collaborate to isolate patent-attorneys from their duty of care and even be judged as untrustworthy by clients, which does not help the whole community of IP professionals. Again, that is a public perception to be encouraged by dividing *fiducia* to some and not to others that will not help any of us.

Thus, the construction of the term fact-based does allude to the connotation of choosing a behaviour over another, which could raise ethical issues depending on the choices and risks taken. Indeed, it is seldom the case of a choice to be loyal, competent, honest in dealing with client's matters. These elements are core to any fiduciary obligation and ethical conduct for legal professionals, one would expect. Even when it is expected, rules are good but even individual judgment can cloud the most legal trained minds.<sup>36</sup>

#### **e) Conflict of Interests, Equal Application of conflict of interests' provisions**

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<sup>34</sup> See, *Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016* (NZ), <<http://www.wipo.int/edocs/lexdocs/laws/en/nz/nz179en.pdf>>

<sup>35</sup> See, Australian Parliament, *Intellectual Property Laws Amendment Bill 2014*, Bills Digest n. 79 2013-14. <[http://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/bd/bd1314a/14bd079](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1314a/14bd079)>

<sup>36</sup> See, *Davies v Clough* [1837] 2 SIM 262 (The House of Lords). But see *Rakusen v Ellis, Munday & Clarke* [1912] 1 Ch 831; *JC Techforce Pty and Another v Pearce and Others* [1996] 35 IPR 196 (for an Anton Piller Order and court discretion to strike portions of removed documents); *Legal Profession Conduct Commissioner v Kassapis* [2015] SASCFC 37 (inappropriate communications with clients, failing to assist the Legal Practitioners Conduct Board)

Conflict of interests occur when someone is *or appears to be* a position of divided loyalties, most likely in opposed sides of a right or obligation<sup>37</sup>. The consequence of a conflict of interests is to allow someone to be in a situation of vulnerability, especially if one of the parties is a non-sophisticated client<sup>38</sup>. Conflicts of interests could happen in the patent application or prosecution stage; some examples are clients belonging to the same practice with conflicting interests or even when one places herself involuntarily in that position<sup>39</sup>. For instance, two clients may be unaware that obtained confidential information cannot be used for an interest to a new client especially if the knowledge could be detrimental to protect the former client's rights' protection<sup>40</sup>. Outside of the court room, a conflict of interests may appear when scientists and universities are in opposite sides of the matter<sup>41</sup>. In the academia, it is not uncommon that a pool of researchers and scientists may be exploring solutions to a problem using the university resources, in order to secure a patent application to protect their scientific research. Because of the nature of scientific research, peer-reviewed publications are crucial to advance scientific knowledge to peers but it can also anticipate a claim to an invention, which are not a rare occurrence<sup>42</sup>. Applying for a patent grant as early as a patent-attorney advice is given is the difference between exploring an invention with the best profitability or being barred to do so<sup>43</sup>. A patent attorney-client relationship can be formed without a proper formal procedure to research in the pool of clients of a law firm or a legal practice whether a client is in conflict of interests with another client in the practice or with her own personal interests. Again, the responsibility to act with loyalty, honesty, trust, skills, in the interest of the patent applicant is core to the patent attorney-client relationship. We will miss an opportunity to act in an environment prone for conflict of interests unlike in other professions as stated in *Torlonia v Wright* [2016]<sup>44</sup>.

<sup>37</sup> See, e.g. *Equiticorp Holdings Ltd v Hawkins* [1993] 2NZLR 737; *Mallesons Stephen Jaques v KPMG Peat Marwick* [1990] 4 WAR 357; *Roy Dean v Watts (A Firm)* [2001] EWCA Civ 758.

<sup>38</sup> See, *Dean v Watts (The Firm)* [2001] EWCA Civ 758 [33], (Lightman J) ("In a situation such as present where (to the knowledge of both parties) a solicitor is retained by one party and there is a conflict of interest between the client and the other party to a transaction, the court should be slow to find that the solicitor has assumed a duty of care to the other party to the transaction, for such an assumption is ordinarily improbable. But the special circumstances of a particular case may require a different conclusion to be reached.").

<sup>39</sup> See, *Dean v Watts (The Firm)* [2001] EWCA Civ 758 (Lord Justice Robert Walker) [69].

<sup>40</sup> See, *Mallesons Stephen Jaques v KPMG Peat Marwick* [1990] 4 WAR 357 (Ipp J) ("The conflict of interest is between the continuing duty of solicitor, owed to his former client, not to disclose, or use to the latter's prejudice that which he learned confidentiality, and, conflict of interest.").

<sup>41</sup> See, *Samsung Electronics Co. Limited v Apple Inc.* [2001] FCAFC 156 (Dowsett, Foster and Yates JJ) [127], [128]. *Royal Children's Hospital v Alexander* [2011] APO 24, [34], [37], [38], [39], [40], [46], [47], [58], [59], [66], [74].

<sup>42</sup> For a more general view on this topic, a good article of Thomas Faunce discussing *Western Australia v Gray* [2008] FCA 498. See, Thomas Faunce, 'University of Western Australia v Gray: An Academic Duty to Commercialize Research?' (2008) *Medical Law Reporter*, 16 JLM, 419. But see the Australian Law Reform Commission, *Research Culture, Patents and Commercialization*, The General Grace Period, <<http://www.alrc.gov.au/publications/14-research-culture-patents-and-commercialisation/general-grace-period-0>> See, also *Samsung Electronics Co. Limited v Apple Inc.* [2011] FCAFC 156 (Dowsett, Foster, and Yates JJ) 127.

<sup>43</sup> See, *Elly Lilly and Company and Others V Perrigo Company and Others* [2016] 202 F. Supp.3d 918 Dist. Court, SD Indiana.

<sup>44</sup> See, *Torlonia v Wright* [2016] NSWSC 1139 (Brereton J) cited *Pavan & Gowshan & Associates Pty Ltd. V Ratnam* [1996] 213 ACSR [19] ("There are several well-established accounting relationships – for example, trustees are liable to their beneficiaries, agents to their principals, employers, mortgagees to their mortgagors, partners to their partners, and joint venturers to their joint ventures. The existence of a fiduciary relationship is a common though not universal feature of these relationships. Although the relationship of an accountant

That is where conflict of interests and fiduciary obligations converge from opposite directions whether one thinks that is state-based or fact-based obligations is the correct answer for patent attorney's duties owed to a client. The capacity of a patent attorney to act with deliberation and to the best of her skills will be intimately connected with the protection of her relationship with her client. Defining the fiduciary obligations is an important step to strength one's capacity to act and the duty to avoid conflict of interests. Leaving a fictional fact-based rationale as a guidance to conflicts of interests is to divide loyalties in the attorney-client relationship and to expose the vulnerability of a patent attorney to decipher legal ethics. If one must ethically judge when an attorney-client obligation arises in an *ad hoc* circumstance of events, one is allowing herself to be subject to possible misjudgements and a great amount of risks to occur. It is typically a situation that accountants have been subject to in their duty of care to provide economic information for clients. Typically, accountants are not deemed to be in a relationship of loyalty to clients but to exercise to the best of their skills and care the job contracted for to avoid misleading information. Loyalty is expected of patent-attorneys, so it is seldom the case that duty of care is not expected from them. Allowing patent-attorneys to be in a status analogous to accountants like in *Caparo Industries plc v Dickman* [1990]<sup>45</sup> can cause uncertainty to clients and patent-attorneys future relationships. *Caparo* is seminal in the sense that applied elements of proximity, circumstances, and foreseeability of harm to client-relationship as a test in order to assess fiduciary obligations. Indeed, when the subject-matter is financial information, in which skill is always required, but not undivided loyalty to clients, *Caparo* is a major guidance for our Anglo jurisprudence. Nonetheless, accountants are in a different professional and trustee relationship context if compared to patent-attorneys, so the trustee relationship is also of confidence besides of vulnerability, therefore, the *Caparo* test does not apply to a constitutional grant to be awarded to a patentee. Because of the implications that an exclusive right granted to a patentee create in our society, patent-attorneys must be protected when representing patent applicants. In the philosophical approach of defining patent rights, these awarded intangible rights can be seen under a utilitarian view, in which the economic monopoly is granted for a limited time to contribute to innovation in our society. Again, it is a right of property, which allows transference of economic power from one party to another bestowed by government.

Nonetheless, a client-attorney relationship is also a consumer's contract. As Christina Parker observes "It implies an attempt to even up the power and knowledge imbalance between lawyers and their clients so that they can both participate equally in determining the quality and cost of services, and more importantly share ethical responsibility for the lawyer's actions on the client's behalf"<sup>46</sup>. Trust and ethics in the legal practice are amalgamated to achieve the best interests of society and clients including *moral activism*. Further, Christina Parker points out that "Consistent with moral activism, contemporary regulatory controls on the legal practice seek to make lawyers' practices more responsive to consumer concerns"<sup>47</sup>. Fiduciary obligations are one of the tenets to accomplish that responsive conduct<sup>48</sup>.

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and client is not one of the classic fiduciary relationships, it can in particular circumstances be or become a fiduciary relationship.").

<sup>45</sup> See *Caparo Industries plc v Dickman* [1990] [1990] 2 AC 605 [House of Lords].

<sup>46</sup> See, Christina Parker, 'Regulation of the Ethics of Australian Legal Practice: Autonomy and Responsiveness' (2002), *UNSW Law Journal*, Volume 25(3), 676, 687,695.

<sup>47</sup> See, Christina Parker, Regulation of the Ethics of Australian Legal Practice: Autonomy and Responsiveness (2002), *UNSW Law Journal*, Volume 25(3), 676, 687.

<sup>48</sup> Christina Parker suggests different regulatory controls, for instance, ombudsman offices like in Victoria and New South Wales may be the answer for regulatory powers in situation of realistic expectations between clients and lawyers, disciplinary process and traditional professional misconduct. Contra Christina Parker,

**f) Multidisciplinary Partnerships, ethics and other concerns**

Between 1987 and 2004, Australian incorporated law practices were subject to changes in corporate law legislation which lead eventually to multi-disciplinary legal practices. Queensland was the last State to reverse the prohibition<sup>49</sup> of incorporated legal services. As a result, multi-disciplinary legal practices increased their market share in the Australian legal industry, coming to accrue billions of dollars in services rendered to the public<sup>50</sup>. One of the major consequences to the legal profession besides a clear commercial mission to the legal industry is the approval of net income share between lawyers and non-lawyers, in short, a non-retained control of partnerships by “members of other occupational groups” to increase competition in the legal industry.

Notably, The New South Wales Parliament approved the *Legal Profession Amendment (Incorporated Legal Practices) Act 2000* followed by the *Legal Profession (Incorporated Legal Practices) Regulation 2001*<sup>51</sup>, both Act and regulation aiming to legislate about registration of legal companies in the *Australian Securities and Investments Commission (ASIC)*<sup>52</sup>. These legislative actions defined a major change for the legal industry as well as for the ethical and compliance issues ahead of more flexibility to carry on a legal business in the Australian market.

It appears that the result of legal companies’ registration in the ASIC was about enhancing competition for legal services in the community as it could then raise capital that would be used to buy legal practices<sup>53</sup>. Moreover, it was also another business model for lawyers and barristers to structure their practices alike any company listed in the stock exchange.

But there is one caveat, indeed. Having non-legal practitioners in charge of legal companies, has two major consequences. First, it changes the mission of legal companies regardless of their constitutions. Non-legal practitioners are bound to observe the *Corporations Act 2001*<sup>54</sup>, hereinafter The Act, but so are lawyers bound by the Act, if they are in the Director’s position too. In this

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‘Regulation of the Ethics of Australian Legal Practice: Autonomy and Responsiveness’ (2002), *UNSW Law Journal*, Volume 25(3), page 687, 691, 693-694, 695, 696, 697 (arguing that to improve ethical responsiveness of lawyers in their relationships with clients a more balanced disciplinary and fiduciary controls should be in place).

<sup>49</sup> See, Christine Parker, ‘Law Firms Incorporated: How Incorporation Could and Should Make Firms Ethically Responsible’ (2002), *UNSW Law Journal*, Volume 25(3),

<sup>50</sup> See, IbisWorld Pty Limited, *Legal Services in Australia*, Industry and Market Size

<<https://www.ibisworld.com.au/industry-trends/market-research-reports/professional-scientific-technical-services/legal-services.html>>. See, also Australian Bureau of Statistics, 8165.0 – Counts of Australian

*Businesses, including Entries and Exits*, Jun 2012 to June 2016

<<http://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0>>; 8155.0 – Australian Industry, 2015-2016,

Professional, Scientific and Technical Services, 2015-2016 (for legal services as the fourth industry in value added to the industry)

<[http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8155.0Main%20Features72015-](http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8155.0Main%20Features72015-16?opendocument&tabname=Summary&prodno=8155.0&issue=2015-16&num=&view=>)

[16?opendocument&tabname=Summary&prodno=8155.0&issue=2015-16&num=&view=>](http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/8155.0Main%20Features72015-16?opendocument&tabname=Summary&prodno=8155.0&issue=2015-16&num=&view=>) ( last seen June 2017)

<sup>51</sup> See, New South Wales Government, *Legal Profession Amendment (Incorporated Legal Practices) Regulation 2001*<<http://www.legislation.nsw.gov.au/regulations/2001-480.pdf>>

<sup>52</sup> See, Australian Securities and Investment Commissions for legal firms (as advisors not as registered companies), *Handling Confidential Information Draft Paper Consultation Paper 128*, 32, 39.

<<http://www.asic.gov.au/media/1331600/cp128.pdf>>; *Report 393 Handling of Confidential Information: Briefings and Unannounced Corporate Transactions*, pages 8, 28, 30, 31, 33, 34, 41

<<http://www.asic.gov.au/media/1331600/cp128.pdf>>

<sup>53</sup> See, Steve Mark, *A Short Paper and Notes on the issue of listing of law firms in New South Wales*

<[http://www.olsc.nsw.gov.au/Documents/notes\\_for\\_joint\\_nobc\\_apr\\_aba\\_panel.pdf](http://www.olsc.nsw.gov.au/Documents/notes_for_joint_nobc_apr_aba_panel.pdf)>

<sup>54</sup> See, *Corporations Act 2001*, < [http://www.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/](http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/)>.

uncomfortable position, between duty to the company and ethical duty to the clients. Managerial lawyers will also have to dedicate their attention to the interests of investors, to be subject to litigation for alleged breach of the Act, including misleading and deceptive conduct, market malpractices that could be raised in class actions brought against them by shareholders<sup>55</sup>.

Among the many duties and responsibilities of managers, directors and officers, one is primordial - the duty owed to the company or to shareholders<sup>56</sup>. In short, Directors are expected to promote the company solvency by being profitable. Further, Robert Baxt clarifies that according to the High Court of Australia, "directors own a fiduciary duty to the company defined as "duty to act with fidelity and trust to another."<sup>57</sup> The fiduciary duty is to trust that Directors will make a *business judgment* for a proper purpose that is in the best interests of the company – keeping the accounting and financial status afloat. Indeed, in section 180 (3) of the Act, Directors and Officers should observe "any decision to take or not *to take action* in respect of a matter relevant to the business operations of the corporation."<sup>58</sup>

Then, an obvious question that still raises suspicion among lawyers is how profit, profitability and market will be related to their professional ethics responsibilities? Do lawyers, barristers, solicitors and patent-attorneys understand profit and *what profit means*? Is profitability one of the core missions to an occupation devoted to securing rights and defending the vulnerable (or sophisticated) clients?

Let's then explain to the legal community that most economic scholars including Peter Drucker plainly says that profit, profitability, and market are inherent elements of economic expansion therefore they are present in our daily transactions<sup>59</sup>. If a law firm changes its structure to a listed company regulated by the Australian Securities and Investments Commission should we assume that is for profit or profitability? Of course, it is. I am afraid as soon as a company is under the Act, the Directors and Officers responsibilities are for the business to be successful in the financial side. I reckon that is a safe assumption that even a small firm is to be profitable because any new venture involves a premium risk of failing or succeeding on its enterprise. It helps to establish our social rules and regulations, therefore profitability is part of a functioning market. We tend to ignore that lawyers and other legal practitioners are social agents in the market too.

Having said that there are peculiarities to the legal business that are not present to other listed businesses. The legal industry is one of the most guarded activities, an occupation that prides for ethics and trust as required skills to pursue a legal career. It is inconsistent to perceive lawyers as decision-makers lacking moral compass that would affect negatively their clients. But any legal advice is a sophisticated skill earned by training not normally a common skill that an ordinary person may emulate and practice, so a profitable legal advice may be an option for a business.

An effective legal advice potentially protects client's rights and manage client's obligations timely. Whether a small law office or a multi-disciplinary company it makes sense to assume that is the

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<sup>55</sup> See, Robert Baxt AO, *Duties and Responsibilities of Directors and Officers* (The Australian Institute of Company Directors, 21<sup>st</sup> ed.), 6.

<sup>56</sup> See, Robert Baxt AO, *Duties and Responsibilities of Directors and Officers* (The Australian Institute of Company Directors, 21<sup>st</sup> ed.), 57, 306.

<sup>57</sup> See Robert Baxt AO, *Duties and Responsibilities of Directors and Officers* (The Australian Institute of Company Directors, 21<sup>st</sup> ed.), 59.

<sup>58</sup> See, Robert Baxt AO, *Duties and Responsibilities of Directors and Officers* (The Australian Institute of Company Directors, 21<sup>st</sup> ed.) page 148.

<sup>59</sup> See, Peter F. Drucker, *Concept of the Corporation* (The John Day Company, New York, 1972) 230, 236-255.

intent to be profitable. Our statement is not shocking but a clear outcome of an arrangement that is a business aiming an annual revenue up to 25 million or an employment rate of up to 50 employees at the end of the financial year<sup>60</sup>. Clearly, a multidisciplinary partnership is a company for profit as well as for ethics and fiduciary obligations, but the kind of fiduciary duties for Directors (business judgements) are distinct from legal *fiducia*. They are not complementary elements but rather antagonistic elements in nature reacting to each other specially in a multi-disciplinary company. It deserves all *checks and balances* afforded to compete with sole patent-attorneys' practitioners, because in practice multidisciplinary partnerships do not compete for the same clients and legal affairs that sole practitioners normally cater for until price for practiced fees and patent skills are taken into consideration as elements for the competitive legal market. Sophisticated clients tend to afford a larger range of fee structure, price is not an issue for their needs, which might have to do with their level of sophistication, the legal complexity of their issues at hand and economic means. Big clients enjoy big accounts and a diversity of legal problems so that price will apparently matter less than having an efficient solution.

That is not the same for a small client, who has rarely a large budget to pay for legal advice. For this reason, some clients may pass the opportunity to consider big law firms or a multidisciplinary company as their first choice for legal services. Therefore, one would conclude that there is hardly any competition between multidisciplinary legal firms and sole legal practitioners, so that profitability, profit and market are not part of the problem. It is a deceitful argument to argue that competition for clients is the only problem for multidisciplinary partnerships in relation to sole practitioners and small firms.

The market perception of what a legal profession entails is another problem of multi-dimension consequences for all IP legal practitioners, whose work will be seen through the same lenses of *profitable* fees. On the other hand, a perceived mistrust in dealing with clients' affairs is not an unrealistic proposition associated with billable hours<sup>61</sup>. It is well documented that tax evasion<sup>62</sup>, destruction of documents to avoid liability<sup>63</sup>, overcharging fees<sup>64</sup>, failure to disclose information in a trustee relationship<sup>65</sup>, unsatisfactory conduct towards clients<sup>66</sup>, or action against a former client<sup>67</sup> are possible situations to occur. One can just imagine in a company structure with non-lawyers' shareholders and directors guided by fiduciary obligations to the company, how many risks for legal ethics misjudgements will possibly occur in the name of *business judgment*.

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<sup>60</sup> See, The Australian Securities & Investments Commission, *Regulatory Services*, <<http://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/are-you-a-large-or-small-proprietary-company/>>

<sup>61</sup> Billing methods must be reviewed for all business structures as one size does not fit all, for instance, performance indicators to regulate quality and effectiveness must be in place for law firms. See, Ana Penteado and Paulo Penteado, 'Alternative Fee Arrangements – a short why, when and how' (2016), *The Australian Corporate Lawyer*, Winter 2016, Volume 26, Issue 2), 36-37.

<sup>62</sup> See, Paula Baron and Lillian Corbin, *Ethics and Legal Professionalism in Australia* (Oxford Press, 2014) 76 (arguing that a sustained failure to pay tax as a personal conduct leads to findings of professional misconduct as in *New South Wales Bar Association v Stevens* (2003); *New South Wales Bar Association v Young* (2003); *New South Wales Bar Association v Cummins* (2001) and *New South Wales Bar Association v Hamman* (1999).

<sup>63</sup> See, Christina Parker, 'Regulation of the Ethics of Australian Legal Practice: Autonomy and Responsiveness' (2002), *UNSW Law Journal*, Volume 25(3), 678, note 95.

<sup>64</sup> See, Paula Baron and Lillian Corbin, *Ethics and Legal Professionalism in Australia* (Oxford Press, 2014) 62-64.

<sup>65</sup> See, *Blackwell v Barroile Pty Limited and Others* [1994] 51 FCR 347 (Davies, Einfeld and Lee JJ) ("The respondents were negligent in that they breached their duty of care to the trustee.")

<sup>66</sup> See, *Legal Profession Conduct Commissioner v Kassapis* [2015] SASCF 37.

<sup>67</sup> See, *Rakusen v Ellis, Munday & Clarke* [1912] 1 Ch 390.

It is paramount to check the current definition of Directors, according to the Act that amended the *Corporations Act 2001* and *The Australian Securities Act Commission of 2001*<sup>68</sup>. Because if multidisciplinary companies composed of non-legal professionals on their Board of Directors can choose when their legal obligations will be applied to them (because there are decisions made for purely business activities) a range of professional misconducts may be able to appear as well as consistent failure in legal compliance standards in the business daily life. One of the reasons may be due to those non-lawyer directors who are not familiar to law practical and ethical commitments and because they are obviously non-practitioners.

That situation is deeply disturbing and concerning to sole practitioners as well as to employed patent attorneys, as lawyers, barristers, solicitors and attorneys offer personal services due to their skills and experience. Indeed, it is not part of the core obligations of the legal profession to make a profit unlike a businessperson. Patent attorneys as others in the IP profession and legal profession at large do not *sell* their skills, they *offer* their skills to the community in the form of legal services<sup>69</sup>. Lawyers play a crucial part in the administration of justice according to the United Nations<sup>70</sup>; therefore, it seems natural in some jurisdictions to consider patent attorneys as such agents in the administration of justice in civil and jurisprudential legal systems around the world<sup>71</sup>.

In New South Wales, the repealed *Legal Profession Act of 2004*<sup>72</sup> prescribed that at least one director must be a legal practitioner, this prescribed clause is apparently missing in the current NSW Act<sup>73</sup>. After the repealed Act, *The Legal Profession Uniform Law Application 2014* introduced the *Legal Profession Uniform Law (NSW)*<sup>74</sup>, which is also applicable to the State of Victoria. The new law appeared to have missed the meaning of the original clauses and did not incorporate *ipse litteris* as it should have<sup>75</sup>. Ethics and professional obligations have always applied to legal practitioners but do not apply to other occupations with rare exceptions<sup>76</sup>. Further, the notion of legal professionals

<sup>68</sup> See, Australian Government, *Corporate Law Economic Reform -Program (Audit Reform and Corporate Disclosure) Act 2004*, <<https://www.legislation.gov.au/Details/C2004A01334>>.

<sup>69</sup> See, New South Wales Government, *Legal Profession Uniform Law Application Act 2014* (NSW) n. 16, section 59, 60, 61, 62 (for local regulations for fixed costs).

<sup>70</sup> See, United Nations Human Rights Office of the High Commissioner, *Basic Principles of the Rule of Lawyers* (September, 1990), adopted by the Eighth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, Havana, Cuba  
<<http://www.ohchr.org/EN/ProfessionalInterest/Pages/RoleOfLawyers.aspx>>

<sup>71</sup> See, Michael Wender, Bernd Tremml and Bernard John Buecker, *Key Aspects of German Business Law: A Practical Manual*, (Springer, 2002), 250 (showing that The German Patent Act of 1966 defined the position of a patent attorney as an active and independent part of the administration of justice).

<sup>72</sup> See, New South Wales Repealed Acts, *Legal Profession Act 2004* (NSW),  
<[http://www.austlii.edu.au/au/legis/nsw/repealed\\_act/lpa2004179/](http://www.austlii.edu.au/au/legis/nsw/repealed_act/lpa2004179/)>

<sup>73</sup> See, New South Wales Government, *Legal Profession Uniform Law Application Act 2014* (NSW)  
<<http://www.legislation.nsw.gov.au/#/view/act/2014/16/part7/div8/sec93d>>.

<sup>74</sup> See, New South Wales Government, *The Legal Profession Uniform Law Application Act 2014* (NSW) (in effect since 1st July 2015), <http://www.legislation.nsw.gov.au/#/view/act/2014/16/id128>. For more information about the *Legal Profession Uniform Law Application Act 2014*,  
<[http://www.nswbar.asn.au/docs/webdocs/uniform\\_12052015.pdf](http://www.nswbar.asn.au/docs/webdocs/uniform_12052015.pdf)>

<sup>75</sup> See, New South Wales Government, *The Legal Profession Uniform Law Application Act 2014* (NSW) Division 2, 3 and 4. But compare with the repealed *Legal Profession Act 2004* (NSW), Part 2.6. and section 143  
<[http://www.austlii.edu.au/au/legis/nsw/repealed\\_act/lpa2004179/](http://www.austlii.edu.au/au/legis/nsw/repealed_act/lpa2004179/)>  
<<http://www.legislation.nsw.gov.au/#/view/act/2014/16>>

<sup>76</sup> Doctors are the closest professionals to legal practitioners concerning duty of care. Medical practitioners, Australian medical students, Interns, International medical graduates, Doctors or GPs have obligations to their patients as healthcare professionals. Consequently, they have to abide by rules of conduct to work with patients or when working with other healthcare professionals. They must observe further training guidelines,

making a profit in their legal career may resonate as a strong perception of mistrust by consumers of legal services. Additionally, one cannot ignore the fact that if mistrust is impinged upon trust to lawyers, it will affect IP legal practitioners regardless of their business model (small law firms, incorporated or multi-disciplinary partnerships).

Even if a small number of patent-attorneys act with discretionary judgment to their legal professional obligations due to their commitment to their shareholders' stocks, it will affect all IP attorneys' reputation. Perhaps that is the point where one must make a distinction on the social perception and the economic perception of profits in our society. Profits, profitability and market are seldom associated with legal agents by the public. Lawyers, barristers, solicitors, attorneys are not perceived to be agents of economic development but rather of social integrity securing rights for their clients.

To act in a manner conducive to making a profit for a legal company is then problematic. When would be right to ask for checks and balances between profitable business, a core mission for non-practitioners' shareholders (or lay associates),<sup>77</sup> and loyalty and trust to their clients' affairs in listed legal companies?

One cannot forget that shareholders invest in companies and businesses to reap the benefits of a stock's increased valuation. Losses do not increase stock value, they deplete it. A comprehensive culture of compliance is needed for listed and incorporated legal companies, especially in multi-disciplinary partnerships, evolving to ensure that in multidisciplinary partnerships, lawyers and non-lawyers with voting rights in law firms or public listed companies should be under legal responsibility of having fiduciary obligations to their clients against *business judgements*, so that all Board of Directors will have the same standard to follow, avoiding conflicts of interests with *business judgment* and legal ethical obligations.

Thus, a constitution drafted for an incorporated firm or a listed company with multidisciplinary partnership should declare to whom loyalty will be devoted in a case of potential misconduct or a conflict of interests in the legal ethics towards a client. Again, it is not an easy decision, given how the Act has evolved and further compliance issues for legal businesses, regardless if they are private or of public structure. Nonetheless, it is an appropriate solution to inform shareholders of potentially affected dividends in relation to acts performed by Directors and officers of a multi-disciplinary partnership.

- **g. Answering Questions on Issues Raised in the Consultation Paper**

In our conclusion, we will address the questions proposed by the *Consultation Paper* to summarize our position. Our arguments above have hopefully answered these questions to the best of our knowledge. We did not intend to be exhaustive in tackling these issues but to contribute to the marketplace of ideas to make a better Code of Conduct for our peers.

In relation to the *Annexure 1 Potential Inconsistencies between the Corporations Act and the Patent Act 1990*, it seems clear from our submission that a provision in the Code and ultimately in the

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with the extra duty to provide ethical and quality in their services, to avoid personal beliefs display in order to refrain from exploring patients' vulnerabilities, in which trust is one of the most important aspects of that relationship. See, Medical Board of Australia, *Professional Boundaries*

<<http://www.medicalboard.gov.au/Codes-Guidelines-Policies/Code-of-conduct.aspx>>

<sup>77</sup> We think that the term and usage of 'lay associated' for multidisciplinary partnerships is similar to lay members representation on committees. See, New South Wales Government, *Legal Profession Uniform Law Application Act 2014* n. 16 (NSW), section 33 (5) < <http://www.legislation.nsw.gov.au/#/view/act/2014/16>>.

*Patent Act 1990* should be included and amended; it should prevail over the *Corporations Act 2001* and to be accepted at the *Australian Securities and Investment Commission* as prevalent over the *Corporations Act 2001*.

Regarding the provisions of the Code whether they should apply to all attorneys equally this submission supports the amendment to remove any limitation of the application of the provisions to registered attorneys. All should be treated equally. Concerning the conflict of interests all amendments proposed by the Board should be incorporated, including equal application of conflict of interests' provisions.

Another amendment that should be considered is to avoid the distinction of fact-based and state-based fiduciary obligations so that all IP legal professionals will be treated equally.

Regarding the question of provisions 22 and 23 of the Code, whether the Board should consider consolidation with provision 21, our opinion is that this clause should be included on additional obligations to be imposed on incorporated patent attorneys.

Furthermore, the professional conduct standards of the Code should elaborate a Guideline to educate about the limits of the standards to be followed; there is a necessity to have these guidelines to be updated annually (if necessary) therefore active revision will be crucial to be a workable document.

In regard to *Issue 4*, group of firms, the Code should have a definition of what an independent *operation* means for clarifying what separate practices are and or if business associates "Chinese Walls" should be in considered for incorporated attorney practices in order to allow the transparency factor to work. Again, in any document to be created about governance and management for legal structures a clear definition should be suggested to avoid confusion on what *operating independently* really means.

This submission even considers it to be good practice to disclose to clients about group practices overseas so that clients are well informed about chosen legal services. Therefore, the Code should impose on all practitioners, but specifically to multidisciplinary practices, an obligation to disclose the practice's ownership status to prospective and existing clients. The level of information should be about business structure, partnership individuals and shareholders in order to have a clear transparency policy when dealing with present and future clients.

Double employment should be avoided unless fully informed consent from the parties involved in the matter are obtained. Nonetheless, in situations of potentially contentious matters, independent legal counsel should be always pursued to avoid potential conflict of interests and confidential information to be disclosed. A sophisticated client would be expected to manage contentious cases or could be trusted to have a good decision about conflict of interests to be raised in an adversarial matter, but that is not the truth for all clients.

We would go further to advise for guidance from the Code and proper consultation with the Board to approve such double employment relationships to prosper. One of the elements to be considered on double employment situations is proper communication with the client to every detail in the matter to avoid any perception of dishonesty or vulnerability of the parties involved. *Dean v Allin & Watts* (2001) would be a good guide to avoid pitfalls on the aspects of communication with clients. Any adversarial matter, which would benefit a party in direct or indirect detriment of the other party involved in the matter is of contentious nature.

Again, contentious matters will always involve an economic hardship to one of the parties involved. It does not have to be evaluated in strictly monetary losses but also on future patent rights or claims involving a patent applicant that can be effective and potentially affected negatively by a double employment or a failure of *Chinese Walls* in an incorporated practice.

Ultimately the Code must have some structure to mediate conflict of interests once they appear to not be solved by the parties. The Board should be expected to act as an “Arbitrator or an Arbitrage court” for conflict of interests’ issues, if the guidance provided to mediate the situation between the attorney and the parties involved cannot reach an accord to resolve it.

For last, the Board may be considered as an optimal public organization to set up a Mediation Center for these issues to be solved.

AP