



27 September 2017

By Email MDB-TTIPABCodeofConduct@ipaaustralia.gov.au

Ms Janine Brown
Trans-Tasman IP Attorneys Board
IP Australia

Dear Ms Brown

Draft Code of Conduct 2018

We refer to the recent invitation to members of the public to provide comments and submissions with respect to the Draft of the proposed revised Code of Conduct for Patent and Trade Mark Attorneys and the associated draft Guidelines. Phillips Ormonde Fitzpatrick has previously made submissions in connection with the development of a revised Code of Conduct. For ease of reference we **attach** a copy of the submissions we made on 2 June 2017.

Overview

Phillips Ormonde Fitzpatrick broadly supports the proposed changes to the Code and the introduction of Guidelines. We consider it appropriate and desirable for the Board to provide Guidelines – in particular to clarify the Board’s position in connection with issues which arise through the establishment of publicly listed corporate groups.

As previously submitted, we consider that there is a strong public interest in the membership of Attorney Groups to be prominently disclosed and clearly communicated to clients and prospective clients. We consider that the proposed changes to the Code strike a good balance between the rights of users of attorney services to make informed choices and attorney firms wishing to employ group structures in delivering attorney services. For the integrity of the profession we consider that it is crucial that there be no “surprises” for clients dealing with any attorney firm. The ease of electronic communications facilitates ready implementation of the proposed changes to the Code. We urge, subject to our more detailed comments below, that the proposed changes be implemented without delay.

Detailed Comments

A – Draft Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys 2018

For the most part Phillips Ormonde Fitzpatrick considers that the proposed changes to the Code are useful (and desirable) in clarifying for practitioners the extent of their obligations to clients both in terms of service delivery but also in terms of the type and level of information to be provided to clients. We raise the following matters for possible further amendment.

1. Section 16

Under proposed sub-section 16(1) a registered attorney will be required to ensure that a client is informed in writing of a number of matters as identified in s16(1)(a) to (f). We consider each of these obligations to be important. However in those cases where a registered attorney receives instructions through a foreign registered attorney, we consider that communication of the necessary information to the foreign registered attorney should satisfy the obligation. Accordingly, we submit that it would be appropriate to include a further sub-section providing that if the client is also represented by a foreign registered attorney, and the registered attorney is dealing with a client by dealing with a foreign registered attorney, that the communication obligations in 16(1)(d) to (f) can be satisfied if the registered attorney clearly informs the foreign registered attorney of the relevant matters. We agree that when instructed by foreign registered attorneys that there be no obligations under s16(1)(a) to (c).

2. Section 19

In each of the sub-sections of proposed section 19 there are references to current clients and former clients without explicitly identifying whether such clients are or were clients of the registered attorney, the firm for which the registered attorney works or a client of a member of an ownership group. In proposed section 21 it is mandated that a member of an Ownership Group is not to be “regarded as independent” of other members of the Ownership Group unless it operates independently. This provision has no clear antecedence in section 19. We consider that it would be useful to clarify the underlying intent of the section 19 loyalty obligations. For example, a definition for ‘Current Client’ could be incorporated in the following terms:

***Current Client** means any existing client of any member of the same Ownership Group as the registered attorney unless the client is an existing client of an independent member of the Ownership Group.*

Former Clients could similarly be defined.

We understand that this is what is intended by the Code but given the lack of antecedence in section 19 to the term “will not be regarded as independent” in section 21, we believe that a clarifying definition or statement of this type is necessary to give clearer meaning to the obligations under section 19.

3. Section 21

As a drafting matter, we suggest that the words “in writing” in section 21(2) be moved to follow the words “informed consent”. We agree with the section 21 proposal. More particularly, we agree that the onus in section 21(2) should rest as is now proposed (i.e. that a registered attorney that is a member of an ownership group will not be regarded as independent of other members of that group unless it can be shown that the other members operated independently in providing attorney services). It is important that the onus rest this way as the

relevant information will be held by the members of the ownership group, not the client.

4. Section 23(2)

We strongly support this proposal. We see this proposal as the cornerstone of a transparent disclosure regime so that clients do not unexpectedly find that they have their work with a firm that is associated with another organisation which they would prefer not to use.

B – Guidelines to the Code

1. Clause 16.2

Consistent with our submissions above in connection with section 16 of the Code, we suggest that paragraph 16.2 of the Guidelines be amended to indicate that if a client is represented by a foreign registered attorney or another registered attorney, that the obligations under section 16(1)(d) to 16(1)(f) are met by providing the necessary information to the foreign registered attorney or other registered attorney.

2. Clause 19.4

As indicated in our previous submissions, we consider that if there is a relevant shareholding issue this should be brought to the attention of the client or prospective client. We suggest that at the end of the second sentence of clause 19.4 the words “including any material shareholdings” be included so that the sentence reads “A client’s consent will be reasonably informed when it is given with knowledge of all the information that is reasonably necessary and legally possible to be provided to the client, including any relevant material shareholdings, so that the client can make an informed decision”.

3. Clause 21.2

We agree with the proposal to separate “client facing” services from those which are “back-office”. As there is likely to be some debate about the status of operational services, we suggest that clause 21.2 be amended to make it clear that the filing of IP applications is a client facing service. Plainly, it involves the preparation of documents and has professional input. We suggest that the second sentence in clause 21.2 be amended to read “They include the provision of advice, the preparation of documents, the filing of IP applications and the prosecution of applications”.

4. Clause 23.2

We agree with the proposed disclosure requirements. Given that a large majority of correspondence is now sent by attorney firms by email we suggest that the last sentence in the Guidelines be amended to read “this includes disclosure on websites, letterheads, email footers, brochures and the like”.

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Further consultation

Members of the firm of Phillips Ormonde Fitzpatrick are available to meet to discuss any aspects of these submissions. We appreciate the opportunity to provide input on this important proposal.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Greg Chambers', with a stylized flourish extending to the right.

Greg Chambers
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Enc.



2 June 2017

By Email mail.psb@ipaaustralia.gov.au

Mr Jeff Carl
Secretary
Trans-Tasman IP Attorneys Board
IP Australia

Dear Mr Carl

Trans-Tasman IP Attorneys Board Review of the Code of Conduct

We refer to the consultation paper issued by the Trans-Tasman IP Attorneys Board in April 2017. Phillips Ormonde Fitzpatrick provided initial comments with respect to the review of the Code of Conduct by way of letter dated 14 October 2016. A copy of this letter is **attached**.

We are concerned that the Consultation Paper does not adequately address one of the principal issues raised in our letter of 14 October 2016. This is the issue of potential for a conflict of interest to arise due to the personal interests of individual attorneys.

In all of the recently listed companies, there are substantial shareholdings held by the previous owners of the businesses that were listed. For example, Business A was first incorporated. This business became a wholly owned subsidiary of a company that was listed and a substantial shareholding in the listed company rested with the original proprietors of Business A. When the listed company then purchased other businesses, this has meant that the original owners of Business A became major shareholders (indirectly) of Business B.

In our view, this compromises individual attorneys acting in a matter for a client where the patent attorney works for Business A in a contentious matter against a client represented by Business B. We submit that in this situation, even if the businesses are operated “independently” a conflict of interest still arises for the patent attorney in Business A. It is a conflict between the patent attorney’s personal interest as a shareholder of both Company A and Company B and the respective clients.

For this reason, we do not consider that the proposed amendment to the Code under paragraph 2(9) of the Consultation Paper goes far enough. We consider that the Code needs to be clarified so to indicate that firms are not considered to operate “independently” if one or more employees of one company within the group own a significant shareholding (directly or indirectly) of another company within the group. In this respect, we would consider a substantial holding would be collectively more than 5% of a company’s voting rights consistent with ASIC Regulatory Guide No. 5.

With respect to the specific questions raised for consultation, we make the following observations:

Issue 1 – Amendments consequential upon introduction of the Trans-Tasman Regime

No comment

Issue 2 – Equal application of provisions generally

We agree that the Code provisions identified should apply to all registered attorneys, in particular incorporated attorneys and attorney directors, not just registered attorneys who are individuals.

Issue 3 – Elaboration of the Professional Conduct Standards

We agree that the Professional Conduct Standards should be clarified by the introduction of Guidelines providing guidance in relation to the discharge of standards. However, matters such as those indicated above relating to shareholding should be part of the Code rather than Guidelines.

We consider it most important that the Guidelines indicate what is meant by “firms operating independently”. We submit that firms are not operated independently if any of the following apply:

- a) if the employees of one operating company within the group individually or collectively hold a substantial shareholding either directly or indirectly of another operating company within the same corporate group;
- b) the administrative operations of one company are not maintained entirely independently of other companies in the group. For example, to operate independently a firm would need to itself handle all administrative matters relating to the filing of patent, trade mark or design applications. If these actions were consolidated within one entity within the group, we submit that the firms could not be said to operate “independently”. Similarly, if the practice files of one company in the group are held on a database containing the files of another company in the group, or if one operations group is submitting documents to IP Australia for more than one company in the group, there would not be “independence”;
- c) the Board meetings and regular offices of the Board members of the holding company are located within the offices of any one of the various trading entities operating within the group;
- d) That accounting, human resources and other support services are not maintained separately.

This is not intended to be an exhaustive list.

Issue 4 – Groups of firms

We consider that the Code should expressly recognise the possibility of a legal person owning and operating a plurality of incorporated attorney practices but the

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Code should impose on commonly owned attorney practices obligations relating to conflict of interest as identified above, ensuring only those practices which are truly independent can operate in contentious matters representing different clients. In addition, we submit that the Code should impose on commonly owned attorney practices an obligation to disclose the practice's ownership status to prospective and existing clients. The minimum information about the practice's ownership status should state first that the company is part of a particular corporate group and secondly identify all other practices which are part of the same corporate group. Such a notification should also indicate whether individually or collectively any employees of one of the companies within the group hold a substantial shareholding directly or indirectly in any other companies within the group.

Issue 5 – Equal application of conflict of interest provisions

We submit that the Code's conflict of interest provisions should apply to all attorneys equally, whether they are individual attorneys, incorporated attorneys and whether publicly listed or privately owned.

Issue 6 – Double employment

We agree that the Code should expressly permit double employment in non-contentious matters so long as clients provide informed consent.

Issue 7 – Resolution of conflicts of interest

We agree that the Code should apply the obligation to take steps to resolve a conflict of interest to all types of conflict.

We trust that these comments assist the Board in its further deliberations. Representatives of Philips Ormonde Fitzpatrick are available to meet with members of the Board to elaborate or clarify any issues raised in this letter.

Thank you for the opportunity to participate in this review.

Yours sincerely



Greg Chambers
Board Chair
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