20 November 2017

Ms Janine Brown
Trans-Tasman IP Attorneys Board
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Dear Ms Brown

Xenith IP Group Limited ("XIP" or "Xenith") responds as follows to the email dated 7 November from Jeff Carl of IP Australia, which noted that the Trans-Tasman IP Attorneys Board ("the Board" or "TTIPAB") has released what Mr Carl's email described as the "final draft" of the Draft Code of Conduct for Patent & Trade Marks Attorneys 2018 (the "draft Code") and accompanying draft Guidelines, and stated that the Board would like to provide opportunity for feedback "to ensure there are no unintended consequences as a result of the Code".

XIP is pleased to note that several of the suggestions made in its submissions of 6 June and 29 September 2017 have been adopted, and considers that the draft Code represents a workable solution to the questions raised in the Board's Consultation Paper of April 2017. However, XIP points out that there is one serious inconsistency between the draft Code and the draft Guidelines, which XIP believes is the unintended consequence of a drafting error, and several instances where clarification in the drafting can obviate unintended consequences. These are described below.

Draft Code

1. Sec. 4 – definitions: XIP suggests that to avoid unintended consequences, it is sensible to include a definition of "informed consent" (that term is used in secs. 19(4)(a) and 21(3)) so that the law has appropriate clarity. XIP suggests the following definition:

   > "***informed consent*** in relation to a client means the client's consent given with knowledge of all the information that is reasonably necessary and legally possible to be provided to the client so that the client can make an informed decision".

2. Sec. 21 – independence: There is a serious inconsistency between the draft Code and the draft Guidelines on this issue, best illustrated by the following example.

   a. Assume that A, B and C are members of an ownership group. A and B do not operate independently of each other, but C operates independently of both A and B.

   b. The Code as drafted effectively tars all members of the ownership group with the same brush – it results in a client of A being treated as not only a client of B (which is logical and fair), but also a client of C (which is both illogical and unfairly prejudices C and/or its clients).

   c. XIP suggests that this is an unintended result.

   d. Compare para. 21.1 of the draft Guidelines: "Where a registered attorney is a member of an ownership group, for the purposes of the duty of loyalty and the obligation to avoid a conflict, a client of another member of the group will be regarded as a client of the registered attorney unless the registered attorney is operating

independently of that other member of the group in the provision of attorney professional services."

e. In the example above, according to para. 21.1, a client of A would not be treated as a client of C.

f. XIP suggests that this is as the result of a drafting error in the draft Code – "each member" in sec. 21(1) should read "any other member", i.e. the drafting does not adhere rigidly to the principle of drafting in the singular.

g. XIP's suggested change has the result described in para. 21.1 of the draft Guidelines, which is what XIP believes is the Board's intended outcome, and which XIP supports.

3. As a matter of drafting, the words "in respect" in sec. 21(1) are otiose and should be deleted. As Oxford, Merriam-Webster and other sources confirm, X can be "independent ***of***" Y – but X cannot be "independent ***in respect of*** Y".

4. Further on sec. 21, XIP notes that the Consultation Paper stated that:

> "the Board proposes to amend the Code to provide that incorporated attorney practices that are commonly owned practices are <u>not</u> to be treated as (a) other than separate practices, and (b) as business associates of each other for the purposes of the conflict of interest provisions, *so long as they are operated independently*"[1].

5. XIP suggests that the intended result of that approach is that it should be expressly presumed that client Z of firm X should NOT be presumed to be a client of firm Y (where X and Y are commonly owned) if X is independent of Y. That presumption can and should logically sit beside the presumption that Z is to be presumed to be a client of Y if X is not independent of Y.

6. In the result, XIP suggests that sec. 21(1) should read as follows (showing XIP's suggested changes in mark-up):

> "(1) For the purposes of sections 19 and 20, a client of a registered attorney that is a member of an ownership group is <u>not considered to be a client of any other member of the ownership group of which the registered attorney is independent, but is</u> considered to be a client of ~~each~~ <u>any other</u> member of the ownership group ~~in respect~~ of which the registered attorney is not independent."

Draft Guidelines

1. XIP's only comments on the draft Guidelines relate to para. 21 – Independence.

2. Xenith IP refers to its submission of 29 September 2017 on this issue, and submits that "the preparation of documents" can be read so widely that this provision is likely to have unintended consequences. As noted in that submission, depending on the documents concerned, "preparation of documents" sometimes involves no more than populating data fields on a prescribed template form. In practice, many minor "documents", which might better be described as procedural forms, relating to various administrative process steps such as a patent request or request for examination form, are currently prepared by administrative staff (non-attorneys), or are automatically generated.

[1] Emphasis as in the original

3. XIP also notes that for many years, attorney firms have been outsourcing the preparation of such forms to specialist service providers, sometimes offshore providers, some of whom provide such services to many different attorney and law firms (including competing firms) in Australia, New Zealand and other countries – broadly described as legal process outsourcing.

4. Further, it is inevitable that with continuing advancements in technological innovation, including particularly in the fields of software and artificial intelligence, such administrative documents and forms will be produced with increasingly less (or no) staff involvement. XIP considers it undeniable that the increase in efficiency provided by the technological preparation and delivery of administrative forms is in the best interests of clients.

5. It is also in the best interests of clients and the industry to ensure that such innovations, whether in relation to technology, business models, or otherwise, are not stifled due to unintended consequences or unnecessary restrictions providing no added value to clients as caused by the introduction of this Code and the Guidelines to it.

6. XIP therefore suggests that to the extent that para. 21.2 is drafted so as to make all "preparation of documents" without qualification fall within "attorney professional services", it is too wide, and what should be in that category is the preparation of documents "involving substantive attorney input".

7. XIP also suggests some drafting clarification of para. 21.2 to avoid unintended consequences, in particular the reference to "professional staff" – after all, those involved in "back-office" activities, whether finance professionals or (as para. 21.3 notes), IT professionals, HR professionals, or even patent or trademark attorneys or lawyers involved in those activities (not providing attorney professional services), consider themselves (and may well be determined by a Court to be) "professional staff". XIP suggests that the issue is adequately covered by the use of the term defined in the draft Code – "staff attorney".

8. Accordingly, XIP suggests that para. 21.2 should be amended as follows (showing XIP's suggested changes in mark-up):

> "21.2 Attorney professional services are typically the "client-facing" services provided by a registered attorney. They include the provision of advice, the preparation of documents involving substantive attorney input, and the prosecution of applications. Independence of operation in relation to the provision of these services by a registered attorney which is a member of an ownership group typically requires that the registered attorney not employ or use the services of ~~have~~ any ~~professional~~ staff attorney employed by or in common with any other member of the ownership group, and that the registered attorney not have the ability to access client confidential information of any client of any ~~in common with the~~other member~~s~~ of the ownership group."

9. XIP also suggests that para. 21.3 should be amended to avoid unintended consequences, and to provide understanding for readers of the Guidelines, in relation to the term ' "back-office" activities'. XIP suggests that immediately after that term in line 1, the following be inserted, namely:

> "(such as data entry, preparation of standard forms and documents requiring only administrative input, accounting, payroll, human resource management and like activities)".

Concluding comments

XIP reiterates the comment made in its earlier Submissions, that it supports the maintenance of high professional standards for patent and trade marks attorneys. However, there is one serious drafting error in the draft Code, and XIP considers that there are several remaining areas of the draft Code and Guidelines which should be amended to clarify the law and avoid unintended consequences.

As noted in XIP's earlier submissions, unnecessary over-regulation in this area is undesirable both because of the reality of technological and business innovation, ultimately for the benefit of clients, and also because it is undesirable to limit a client's freedom to choose its attorney or unduly to restrict the legitimate commercial activities of firms, whether operating in a corporatised group structure or otherwise.

Yours sincerely,

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