

SUBMISSION TO TRANS-TASMAN IP ATTORNEYS BOARD

Draft Code of Conduct 2018 and Draft Guidelines to the Code of Conduct 2018

20 November 2017

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1. INTRODUCTION

This submission is made in response to the further invitation from the Trans-Tasman IP Attorneys Board ('Board') to provide feedback on the amended *Code of Conduct 2018* ('Code' or 'amended Code') and *Guidelines to the Code of Conduct 2018* ('Guidelines'). I am making this submission on my own behalf, as a registered trans-Tasman patent attorney who will be bound by the Code.

2. INDEPENDENCE AND ADVERSARIAL PROCEEDINGS

My remaining concern regarding the Code relates to Section 21(3), which provides that:

(3) Notwithstanding subsection (2) [which relates to independence of attorneys within an ownership group], a registered attorney that is a member of an ownership group must not act for a client in a matter relating to a proceeding before a court, a tribunal, a like adjudicative body or an intellectual property office where the registered attorney knows that a client of another member of the group is involved in the matter and that the clients' interests are adverse unless the registered attorney's client in writing has given informed consent to the registered attorney acting in the matter.

In my submission of 28 September 2017 ('my first submission'), I noted that:

*The proposed Code appears to contemplate that while an attorney's general obligations are sufficient to protect the interests of clients in the case of non-adversarial matters, such as the filing and prosecution of applications, or even providing infringement advice, additional protections are necessary in the event that a matter progresses to **'proceedings before a court, a tribunal or a like adjudicative body'**.*

The amended Code clarifies (in case there was any doubt) that this includes proceedings before an intellectual property office.

Following a discussion with Professor Christie, I now understand that the motivation for this provision might be summarised as follows:

- Professor Christie is of the opinion that should an analogous situation arise in proceedings before a court (i.e. solicitors representing opposing parties being employed by different members of an ownership group) the court would not countenance such an arrangement;
- the origin of the court's concern would most likely be the appearance of impropriety in a common owner having a financial interest in firms representing clients with adverse interests in the proceedings;

- one of the guiding principles in drafting the Code has been to hold registered attorneys to similar standards as are expected of legal practitioners.

Courts are, of course, perfectly entitled to make directions in relation to proceedings, and the conduct of parties appearing before them. However, with the greatest of respect I submit that provisions of the Code should be based upon the realities of the modern world, including the commercial environment in which registered attorneys operate, and preferably be backed by evidence of a *need* for regulation rather than by how analogous conduct of practitioners in a different profession and in different circumstances might be *perceived*.

While there are parallels between professional activities of legal practitioners and registered attorneys, there are also substantive differences.

The vast majority of the practice of most registered attorneys relates to the acquisition and maintenance of rights, e.g. application for, registration of, and payment of renewal fees in relation to, patents, trade marks, and (typically to a lesser extent) registered designs, and plant breeder's rights. Attorneys also provide advice to clients on a variety of related matters, such as validity of rights (both of the client, and of others/competitors), and on infringement, however this forms a smaller part of most attorneys' practices.

Where an attorney becomes involved in an adversarial matter, it is often ancillary to one or more of the above core activities. By far the most common case, in my experience, is the situation in which an existing client becomes involved in opposition, re-examination, or third-party-initiated examination (or equivalent) proceedings before an intellectual property office, either as a respondent in the course of applying for or maintaining a registered right, or as a requestor or opponent pursuant to validity advice provided by the attorney.

At this point, under the amended Code, it would become necessary not only to ensure that the client is aware of the attorney's incorporation and ownership status (Section 16(1)(d) and (e) and Section 16(2)(b)), but also:

- if the attorney is a member of an ownership group, and the adverse party is represented by another independent member of the same ownership group, to inform the client of that fact; and
- in that event, to obtain the client's informed consent in writing to the attorney continuing to act in the matter.

I note firstly that the Code contains an implicit presumption that no conflict of interest generally arises for attorneys that are members of a common ownership group representing clients whose interests are adverse (in either a commercial or legal sense), so long as the attorneys are independent (Sections 21(1) and (2), and Guidelines paragraphs 21.1 to 21.3).

This presumption would, however, be reversed, and the client's informed consent required in writing, as soon as any matter arises 'relating to a proceeding before a court, a tribunal, a like adjudicative body or an intellectual property office where the registered attorney knows that a client of another member of the group is involved in the matter and that the clients' interests are adverse.'

I consider this to be problematic for a number of reasons.

1. The situation described above is likely to arise fairly often. Indeed, clients of registered attorneys – and particularly those represented by foreign attorneys – are far more likely to engage multiple attorneys in different, but related, matters than clients of legal practitioners. Therefore, considering all of the permutations of representation by potentially adverse clients, it is practically certain that adversarial proceedings will arise regularly between clients of different independent members of ownership groups. In Table A.3 of my first submission, I demonstrated that nearly 20% of all end clients with live patents or applications in Australia are represented by two or more attorney firms. Nearly 4% (a total of 1485 clients) are represented by four or more firms in relation to different applications/patents. This does not take into account other matters (e.g. trade marks, registered designs, non-registration-related services, and so forth) on which clients may instruct one or more Australian attorneys.
2. There is no provision in relation to Section 21(3) analogous to the Section 16(4) exception to Section 16(1)(d) and (e), and Section 16(2)(b). A registered attorney will therefore be required to seek written consent from an end client even where the client is represented by a foreign attorney, and the registered attorney has no direct relationship or contact with the client. In Table A.4 of my first submission, I showed that 78% of all patent oppositions filed since 2001 involved at least one foreign party, and that in 36% of oppositions both parties were foreign residents.
3. The very existence of Section 21(3) communicates to the public at-large that the Board believes that there are particular real concerns with opposing parties being represented in adversarial proceedings by independent members of ownership groups, which do not arise in relation other matters in which registered attorneys may act. However, the Board has not articulated, in either the Code or the Guidelines, what these particular concerns are, or why they can be addressed only in the same manner as a genuine conflict of interest, i.e. via informed consent in writing.

With regard to this last point, I believe that the implicit position of the Board will be exploited by privately-held firms and independent attorneys as a marketing

tactic to spread doubt about the independence and undermine the integrity of firms operating within ownership groups.¹ Arguably, such activities are contrary to Section 11(1)(d) of the Code. In practice, however, I expect that most in the profession would regard such 'aggressive marketing' as part-and-parcel of modern commercial reality. This does not make it desirable that the Code, or the Board, become implicated in such activities.

In my discussion with Professor Christie he suggested that there should be no issue with obtaining informed consent in writing because:

- if the client has no concerns about the independence of the attorney, then they will have no objection to providing written consent;
- conversely, if the client has some objection such that they would not consent to the attorney continuing to act, failing to seek such consent is hardly an answer to that objection.

It is impossible to argue with the logic of this. However, it *is* pure logic, and thus assumes a rational decision-maker with the time, focus, and information to look objectively at the issues involved in providing or refusing consent. In reality this is not what happens. As I have already noted, the mere existence of an obligation to obtain informed consent in writing is likely to plant seeds of doubt in the minds of many clients, notwithstanding that no rationale, such as a plausible actual conflict of interest, is articulated in the Code or Guidelines. Such seeds may be nurtured by privately-held competitors to firms within ownership groups. As a further practical matter, it would be virtually impossible for an attorney member of an ownership group to address such concerns, either in response to enquiries or (worse still) pre-emptively when seeking consent, without appearing self-serving.²

¹ Privately held firms have, in fact, been seeking to exploit fear, uncertainty and doubt about public listings and Australian firm ownership groups for some time. Examples include *Are Australia's listed IP firms doomed to fail?* IP Watchdog, 30 October 2016, <http://www.ipwatchdog.com/2016/10/30/australias-listed-ip-firms-doomed-to-fail/id=74185/> (accessed 20 November 2017) and *Listed IP firms to suffer dire consequences*, Lawyers Weekly, 9 January 2017, <https://www.lawyersweekly.com.au/corporate-counsel/20338-listed-ip-firms-to-suffer-dire-consequences> (accessed 20 November 2017). Lobbying to impose additional constraints on firms within ownership groups has also been apparent in a number of submissions to the present consultation in behalf of privately-held firms.

² What should the client ask? 'How are you going to resolve your conflict?' It is, almost inevitably, a loaded question.

3. CONCLUSION – A PROPOSAL FOR A MORE BALANCED APPROACH

Clearly it is important to ensure that clients (or, where relevant, their agents at least) are adequately informed of pertinent facts regarding their Australian attorneys. However, I remain unpersuaded that creating a regulatory obligation to obtain informed consent in writing in specific circumstances – even where a reasonable and objective registered attorney, acting in full compliance with their general obligations under the Code, would identify no actual conflict of interest – is necessary, productive, or serves the interests of clients or the profession.

In my opinion, a more balanced approach would be to incorporate adversarial proceedings within the scheme provided by Section 16 of the Code, e.g. along the following lines:

16 Communication

(1) Prior to undertaking work for a new or prospective client, a registered attorney must ensure that the client is clearly informed in writing of the following matters:

...

- (f) where the registered attorney is a member of an ownership group and the matter relates to a proceeding before a court, a tribunal, a like adjudicative body or an intellectual property office where the registered attorney knows that a client of another member of the group is involved in the matter and that the clients' interests are adverse – that fact, and the identity of the other member of the group.

(2) Prior to undertaking materially different work for a client, a registered attorney must ensure that the client is clearly informed in writing of the following:

...

- (c) where the materially different work relates to a proceeding before a court, a tribunal, a like adjudicative body or an intellectual property office, the matters specified in paragraph (1)(f), irrespective of whether the registered attorney has previously informed the client of those matters.

(3) ...

(4) A registered attorney is not required to comply with paragraphs (1)(d), (e) and (f), and with paragraphs (2)(b) and (c), if:

- (a) the client is also represented by a foreign-registered attorney, the registered attorney is dealing with the client by dealing with the foreign-registered attorney and the registered attorney has provided the information specified in paragraphs (1)(d), (e) and (f) or in paragraphs (2)(b) and (c), as the case may be, to the foreign-registered attorney; or
- (b) the registered attorney has been requested to do work for the client by another registered attorney, the other registered attorney continues to act for the client in the work and the registered attorney has provided the information specified in paragraphs (1)(d), (e) and (f) or in paragraphs (2)(b) and (c), as the case may be, to the other registered attorney.

I thank you for this opportunity to make further submissions in relation to the Code.

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