

# Houlihan<sup>2</sup>

Patent & Trade Mark Attorneys

Australia Malaysia New Zealand Singapore

20 November 2017

Ms. Janine Brown  
Trans-Tasman IP Attorney Board  
IP Australia

Dear Ms. Brown,

**Re: Final Draft of the Code of Conduct for Trans-Tasman Patent and Trade Mark Attorneys 2018**

We refer to the Phase 3 invitation to all interested parties with respect to the Final Draft of the Code of Conduct for Trans-Tasman Patent and Trade Mark Attorneys 2018 (“the Draft Code”) and the Guidelines to Code of Conduct for Trans-Tasman Patent and Trade Mark Attorneys 2018 (“the Draft Guidelines”).

Overview

The Draft Code does not impose an obligation on Registered Attorneys to provide current clients with information relating to the identity of any Ownership Group of which that Registered Attorney is a member, and the identity any other members of that Ownership Group. This omission is to the detriment of the interests of those clients who remain uninformed of changes to the ownership structure of the Registered Attorney whom they have already engaged, and thus of any actual, perceived and potential conflicts of interest. These clients remain uninformed of information that is materially relevant to the work currently being undertaken by their Registered Attorney.

In our view, no client should have to spend time searching through the websites of any Attorney Firm to ascertain whether that Attorney is part of an Ownership Group and what the make-up of that Group is to enable them to conduct a conflict check.

Our concerns

Is not the purpose of the Professional Standards Board and its Statute to protect the interest of the public? Therefore, in our view, any proposed changes must keep this purpose paramount. Any watering down of that protection contravenes the purpose of the Statute.

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We view conduct by Registered Attorneys, which comprises the intentional withholding from current clients of information relating to the identity of the Ownership Group/s of that Registered Attorney and their members, as misleading and deceptive conduct in terms of Section 18 of the Australian Consumer Law.

Such conduct is contrary of the core obligation of a Registered Attorney imposed by Section 11 of the Draft Code to act in accordance with the law (including the Consumer Law) and the obligation of integrity imposed by Section 13(1) to not act in a way that is fraudulent, deceitful or knowingly misleading. Such conduct damages the reputation of the Trans-Tasman Patent and Trade Mark Attorney and the Profession as a whole, and not just those Firms that are engaging in misleading and deceptive activities.

It is within the purview of our daily activities to identify misleading and deceptive conduct on behalf of our clients and to take action to prevent such activity from continuing and causing damage to our client's business and reputation. It is inconceivable therefore that the Board, which is responsible for oversight of our professional conduct and competency, should permit such conduct to be engaged in by Members of our Profession.

### Sections 16(1) and (2), Sections 17 and 23

Section 16(1) relates only to new and prospective clients but not to existing or current clients. Section 16(2) relates only to existing or current clients for which a Registered Attorney undertakes "*materially different work*".

Section 16, in its current form, thus excludes any obligation on a Registered Attorney to inform existing or current clients who have ***never been***, and ***may never be***, informed of the information requirements of Section 16(d) and (e), and who ***have not*** and ***may never*** provide the Registered Attorney with "*materially different work*".

To the extent that Section 16 excludes current clients from its scope, it is thus in conflict with:

- Section 19(3) in that it results in the interests of new or prospective *informed* clients being preferred over the interests of existing or currently *uninformed* clients; and
- Section 20(1)(b) which requires a Registered Attorney to take all reasonable steps to avoid the creation of a situation giving rise to an actual conflict, or the reasonable possibility of a conflict between the interests of one client and the interests of another client.

While the changes to Section 23 are welcomed, they do not rectify the deficiencies of Section 16(1) and (2). Section 23 now requires that a Registered Attorney, who is a member of an Ownership Group, clearly disclose that fact to the public, as well as the identity of other members of the Ownership Group. One assumes that this means any relevant Ownership Group information must now be prominently displayed on the websites of the relevant Registered Attorneys and included in any publicly available documents published by them, which would include letterhead, promotional materials, business cards and the like. Furthermore, that publication must be up-front, not hidden or printed on the reverse side of the letterhead, business card, *etc.*.

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However, an *uninformed* current client, who does not provide the Attorney with “*materially different work*”, is unlikely to actively seek out information on the website of a Registered Attorney, having no motivation to do so, as they have already engaged that Registered Attorney’s services and are trusting that Attorney’s integrity and transparency.

In such event, any current client will continue to use that Registered Attorney’s services while remaining unaware of any Ownership Group of which that Attorney is a member. This ongoing situation assumes implied consent from the current client, and deprives that client of any opportunity to bring conflicts of interest, or the potential therefor, to the attention of the Registered Attorney.

Furthermore, in relation to the new definition of “*materially different work*”, the qualifying phrase for the application of Section 16(2), is open to such a broad scope of interpretation that it is rendered meaningless. The definition of “*materially different work*” relies on a concept of “*competency*” for which there is no definition and for which no guidance has been provided, such that the metes and bounds of “*materially different work*” may be readily misinterpreted, without penalty, for the purpose of avoiding obligations imposed by Section 16.

As Registered Attorneys, we carry out Patent and Trade Mark work within our competency. The Board should require all clients to be informed by the Registered Attorney.

Section 17 also does not assist in rectifying the deficiencies of Section 16(1) and (2). Section 17 requires that a Registered Attorney that is an individual (which we assume excludes a Registered Attorney that is a member of an Ownership Group) disclose to a client all information of which the Registered Attorney is aware that is materially relevant to the work being undertaken for the client.

We consider that the Ownership Group information referred to in Section 16(1)(e) is materially relevant to the work that a Registered Attorney undertakes for a client because it relates to actual, perceived or potential conflicts of interest. We do not understand why the obligation of Section 17 is expressly limited to Registered Attorneys who are individuals and is not imposed on all Registered Attorneys.

The Draft Code currently leaves it to luck or chance that a current client of a Registered Attorney, who is part of an Ownership Group, may eventually find out this information through other channels, or by his/her/its own efforts, such as by accidentally viewing that information on an Attorney’s revised website or through a conversation with a competing Attorney. This is the current situation of which the Board is fully aware,<sup>1</sup> and one which the Draft Code fails to remedy. It facilitates and perpetuates the active withholding of Ownership Group information from current clients of Registered Attorneys of Ownership Groups, thereby perpetuating the possibility of conflicts of interest.

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<sup>1</sup> Trans-Tasman IP Attorneys Board Review of the Code of Conduct Consultation Paper (2017), Part C, Section 4, pages 16-19

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The onus is on the Board to ensure that moral hazards, which inevitably exist whenever there is an information asymmetry, are eliminated or reduced to a minimum. However, it would appear that the Draft Code permits information asymmetry.

The Draft Code currently places the onus on the client of providing “*materially different work*” to the relevant Registered Attorney, the definition of which is open to interpretation, to trigger any obligation on that Registered Attorney to inform the client of ownership information.

We ask why the Ownership Groups needs an opportunity to hide behind the Statute, if they have nothing to fear from their clients’ reactions, or if they are proud of their achievements. We view Section 16 of the Draft Code as a fiction. It purports to impose an obligation of transparent communication by incorporated Firms to their current clients yet provides loopholes through which they may avoid doing so.

We further ask why there should be an onus of the Registered Attorney to maintain his/her continuing legal education requirements, but it is apparently not a Registered Attorney’s responsibility to be open, honest and forthright with all (existing and new) his/her/its clients?

Thus, not only does the Draft Code fail to address the Profession’s clearly articulated concerns over the lack of transparency of Registered Attorneys to current clients, but it goes so far as to provide a vehicle by which this lack of transparency may be perpetuated.

### Sections 19(5) and (6) and Sections 21(3) and (4)

Sections 19(6) and 21(4) of the Guidelines appear to imply that prosecution work for standard patents is not within the scope of Subsections 19(5) and 21(3) of the Code of Conduct. In our view, this is not correct. Conflicts should not only need to be checked for litigious matters, such as Oppositions, Re-examinations and the like (including examination of innovation patents by third parties). When undertaking prosecution work, a Registered Attorney is entrusted with the detailed confidential information of a client, which information should not be freely available to a competitor.

### Sections 18.1 and 19.7

We would like to see further clarification of the meaning of “*former client*”. We refer to Sections 18.1 and 19.7 of the Guidelines and to the definition of “*former client*” in Section 4 of the Code of Conduct and recall a PSB decision against the Collison Firm dating back a few years. In that decision, Collison was reprimanded for acting for two clients, where they had thought that it was in order to do so, because they had not acted for the other client for many years. We understand that it was the PSB’s view that a client will always be a client of the firm if you have previously represented them.

We seek your clarification in light of that PSB decision as to whether “*no longer acting*”, as defined in Section 4 of the Code, means transferring that inactive client’s work to another Firm.

H<sup>2</sup>Proposal

We propose that the Draft Code be revised as follows:

- The amendment of Section 16(1) to read as follows:

16(1) Prior to undertaking any work for a ~~new or prospective~~ client, a registered attorney must ensure that the client is clearly informed in writing of the following matters:

- (a) that the registered attorney is registered as a patent attorney, a trade marks attorney or both, and is bound by this code; and
  - (b) that the registered attorney has appropriate competency to perform the work, including by drawing on technical expertise; and
  - (c) the procedures, timing and estimated cost of doing the work; and
  - (d) whether the registered attorney is an incorporated company and, if it is, whether the company is public or private; and
  - (e) where the registered attorney is a member of an Ownership Group – that fact and the identity of the other members of that Group,  
unless the registered attorney has previously clearly informed the client in writing of those matters.
- The deletion of Section 16(2).
  - The deletion of the definition for “*materially different work*”.
  - The definition of “client” in the draft Code should be amended to include the Registered Attorney acting as the Address for Service for Designs and Plant Breeders’ Rights.
  - The amendment of Section 17 to read as follows:

(17) Unless prohibited by section 18 or otherwise by law, a registered attorney ~~that is an individual~~ must disclose to a client all information of which the registered attorney is aware that is materially relevant to work being undertaken for the client.

Yours sincerely,

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