

# **Trans-Tasman IP Attorneys Board**

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## **Review of the Code of Conduct**

### **CONSULTATION PAPER**

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April 2017

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## RESPONDING TO THIS CONSULTATION PAPER

In March 2013, the governments of Australia and of New Zealand signed the Arrangement between the Government of Australia and the Government of New Zealand Relating to Trans-Tasman Regulation of Patent Attorneys (“Arrangement”). Clause 9.9 of the Arrangement requires the Board to conclude a review of the *Code of Conduct for Patent and Trade Marks Attorneys 2013* and make any appropriate amendments within one year of the date of entry into effect of the Arrangement – that is, by 23 February 2018.

This paper sets out the Trans-Tasman IP Attorneys Board’s proposals for revising the provisions of the Code to accommodate the introduction of the Trans-Tasman regime and to address concerns relating to conflicts of interest.

The Board invites all interested parties to make written submissions by 3 June 2017.

Written submissions should be sent to [MDB-TTIPABCodeOfConduct@ipaaustralia.gov.au](mailto:MDB-TTIPABCodeOfConduct@ipaaustralia.gov.au)

For accessibility reasons, please submit responses by email in Word, RTF or PDF format.

The contact officer is Janine Brown who may be contacted on (02) 6283 2536.

Please note that, unless requested otherwise, written comments and any associated information submitted to the Board may be made publicly available on the TTIPAB website and may be disclosed to other Commonwealth agencies with an interest in this consultation

When you make a submission, unless stated otherwise, you provide your consent to your personal information being published online. Information published online may be accessed world-wide, including by overseas entities. The Board will not be able to control any subsequent use under the Privacy Act 1988, nor are you able to seek redress under that Act, for the actions of any overseas entities.

The Board’s Privacy Policy can be viewed at <https://www.ttipattorney.gov.au/about-us/professional-responsibilities#privacy-toc>. The privacy policy also includes the following information:

- how you may seek access to and correction of the personal information we hold;
- how you may make a complaint about a breach of the Privacy Act and how we will deal with your complaint; and

A request made under the Freedom of Information Act 1982 for access to a submission marked confidential will be determined in accordance with that Act.

# PART A – BACKGROUND AND PROPOSALS

## 1. BACKGROUND TO THE REVIEW

### (a) Trans-Tasman Attorney Regime and Code of Conduct

In March 2013, the governments of Australia and of New Zealand signed the *Arrangement between the Government of Australia and the Government of New Zealand Relating to Trans-Tasman Regulation of Patent Attorneys* (“**Arrangement**”).<sup>1</sup> The Arrangement, which took effect on 24 February 2017, stated that the Australian legislation implementing the Arrangement would, among other things, establish the Trans-Tasman IP Attorneys Board (“**Board**”), establish a joint disciplinary regime administered by the Board, and allow the Board to establish a trans-Tasman code of conduct for registered patent attorneys.<sup>2</sup>

The Board and the joint disciplinary regime was established by amendments effected by Schedule 4 of the *Intellectual Property Laws Amendment Act 2015* (Cth) and by Schedules 1 and 2 of the *Intellectual Property Legislation Amendment (Single Economic Market and Other Measures) Regulation 2016* (Cth). Pursuant to the transitional provision in clause 9.8 of the Arrangement, the Australian code of conduct in place before the date of entry into effect of the Arrangement will continue in place and apply for a period of up to one year after the date of entry into effect of the Arrangement, or until the trans-Tasman code of conduct is developed and approved, whichever occurs earlier. The Australian code of conduct that was in place before the date of entry into effect of the Arrangement, and which currently applies, is the *Code of Conduct for Patent and Trade Marks Attorneys 2013* (Cth) (“**Code**”) – a copy of which is annexed and the text of which is accessible at <https://www.legislation.gov.au/Details/F2013L01822>.

Clause 9.9 of the Arrangement requires the Board to conclude a review of the Code and make any appropriate amendments within one year of the date of entry into effect of the Arrangement – that is, by 23 February 2018. At its March 2017 meeting, the Board resolved to undertake that mandated review of the Code in parallel with its review of the Code’s conflict of interest provisions, discussed below.

### (b) Review of Conflict of Interest Provisions

Some members of the Australian attorney profession expressed to the predecessor of the Board – the Professional Standards Board for Patent and Trade Marks Attorneys (“**PSB**”) – concern about the development of publicly listed companies acquiring, and operating in a group, multiple attorney firms (the “**listed group scenario**”). Put in general terms, these concerns related to public perceptions of, the potential for, and the actual existence of, conflicts of interest. As a result of these concerns, in September 2016 the Chair of the PSB wrote to 16 entities within the attorney profession (“**attorney stakeholders**”), seeking views on what information should be given to clients of listed group firms in certain conflict of interest situations, and whether any changes to the Code are required. The attorney stakeholders listed in the Appendix provided a written response to the PSB.

After consideration of the responses received from the attorney stakeholders, at its November 2016 meeting the PSB resolved to appoint a qualified and experienced person to investigate the issues, provide advice as to whether any changes to the regulation of the profession are required, and to recommend how changes might be implemented. Following consideration of responses to a call for Expressions of Interest, Andrew Christie, Professor of Intellectual Property at Melbourne Law School, University of Melbourne, was appointed to undertake the task. Beginning in mid-January 2017, Prof. Christie reviewed all the responses to the PSB’s September 2016 letter, undertook a

review of the law and practice on conflicts of interest in Australia and elsewhere, and interviewed representatives of most of the attorney stakeholders that responded to the PSB's September 2016 letter (see Appendix). Prof. Christie provided a report to the Board for its March 2017 meeting that summarised the outcomes of his review and contained recommendations for further action.

### **(c) Process of the Review**

At its March 2017 meeting, the Board resolved to issue a consultation paper (being this document) setting out proposals for revising the provisions of the Code to accommodate the introduction of the trans-Tasman regime and to address concerns relating to conflicts of interest. The Board seeks the views of all stakeholders on these proposals, which it will consider at its July 2017 meeting. Following that meeting, the Board will issue a draft revised Code for public comment. The Board plans to finalise the revised Code before the end of 2017, with a view to its commencement on 24 February 2018.

## **2. PROPOSALS FOR REVISION**

The Board's proposals for amending the Code, both generally and in relation to the conflict of interest provisions specifically, are set out below. Explanations and justifications for these proposals are provided in *Part B* and *Part C* of this paper.

### **(a) Provisions of the Code Generally**

The Board is considering revising the provisions of the Code so as to make amendments that are necessary as a consequence of the introduction of the trans-Tasman regime, to apply the provisions to all attorneys equally, and to elaborate the professional conduct standards.

With respect to the *consequential amendments*, the Board will amend the Code so as to:

1. Change the name of the Code in section 1 to reflect its trans-Tasman status.
2. Change the definition of "Board" in section 4 to reflect the new name of the Board.
3. Change the definition of various other terms in section 4 to ensure that they are consistent with the trans-Tasman operation of the Code.
4. Changing the website and other details in sections 25(3), 25(4) and 25(5) to reflect the new means of communication by and with the Board following its change of name.

With respect to ensuring the provisions of the Code *apply to all attorneys equally*, the Board is considering amending the Code so as to:

5. Remove from sections 11(4), 12, 13(1), 13(2), 14(2), 14(3), 14(4) and 24(3) the limitation of the application of those provisions to registered attorneys who are individuals.
6. Consolidating the obligations imposed on attorney directors and incorporated attorneys by sections 22 and 23, respectively, with the obligations imposed on all registered attorneys by section 21.

With respect to elaboration of the *professional conduct standards*, the Board is considering amending the Code so as to:

7. Provide guidance (through Guidelines) in relation to the discharge of the professional conduct standards, in a manner similar to which the UK equivalent of the Code, the UK Rules<sup>3</sup> provide such guidance.

### **(b) Provisions of the Code relating to Conflicts of Interest**

The Board proposes to amend the Code as it relates to conflicts of interest, to deal with both the listed group scenario in particular, and the content of the obligations of attorneys generally.

With respect to the *listed group scenario*, the Board proposes to amend the Code so as to:

8. Provide express recognition of the possibility of a legal person (“holding entity”) – whether a publicly listed or privately owned company, an individual or some other legal person – owning and operating a plurality of incorporated attorney practices (“commonly owned practices”).
9. Provide that incorporated attorney practices that are commonly owned practices are not to be treated (a) as 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.
10. Provide guidance (through Guidelines to accompany the provisions of the Code) on what governance and management structures and procedures are required within or by the holding entity and within the commonly owned practices to mean that the practices are being operated independently.
11. Provide that commonly owned attorney practices must disclose to prospective and existing clients specified information about their ownership status.

With respect to the content of the *conflict of interest obligations* of attorneys, the Board proposes to amend the Code so as to:

12. Apply the obligation that is currently expressed in section 15(4) to all registered attorneys, not just registered attorneys who are individuals.
13. Make consequential amendments to the principles that are currently expressed in sections 15(5)(b), (c) and (d), which can only apply to registered attorneys who are individuals, to accommodate the change to section 15(4).
14. Revise the obligation on acting for multiple clients in the same or a closely related matter (“double employment”) that is currently expressed in section 15(1), so as to:
  - Specify the type of consent that is required from both clients – namely, a practically workable form of consent, such as “reasonably informed consent”.
  - Provide guidance (through accompanying Guidelines) on what is required for a client’s consent to meet this requirement – including, in particular, what information must be disclosed to the client.
  - Expressly indicate that there is a blanket prohibition on double employment in contentious matters, and provide guidance (through Guidelines) on what are contentious matters.
15. Revise the obligation to resolve a conflict of interest that is currently expressed in sections 15(3) and 15(8), so as to:
  - Make it clear that the obligation applies to any type of conflict of interest.
  - Provide guidance (through Guidelines) as to what actions an attorney must take upon identification of a conflict of interest.

### **3. MATTERS FOR CONSULTATION**

The views of stakeholders are sought on all of the Board’s proposals, in respect of both the principle of the proposal and the preferred form and content for implementing the proposal. In addition, views are sought on whether there are any other amendments that should be made to the Code.

The Board invites stakeholders to provide their views on these issues by providing answers to the following questions:

**Issue 1: Amendments consequential upon introduction of the trans-Tasman regime**

- Are there any amendments, other than those already identified by the Board, that need to be made to the Code as a result of the introduction of the trans-Tasman regime?

**Issue 2: Equal application of provisions generally**

- Should the Code apply the provisions of sections 11(4), 12, 13(1), 13(2), 14(2), 14(3), 14(4) and 24(3) to *all* registered attorneys – including, in particular, incorporated attorneys and attorney directors – not just registered attorneys who are individuals?
- If not, which (if any) of these sections should be applied to incorporated attorneys and/or to attorney directors?
- Should the provisions of sections 22 and 23 be consolidated with the provisions of section 21?

**Issue 3: Elaboration of the Professional Conduct Standards**

- Should the professional conduct standards of the Code be elaborated by the introduction of Guidelines providing guidance in relation to the discharge of the standards, in a manner similar to which the UK Rules provide such guidance?
- If so, which standards should be so elaborated, and what is the guidance that should be provided in relation to them?

**Issue 4: Groups of firms**

- Should the Code expressly recognise the possibility of a legal person (whether a publicly listed or privately owned company, an individual or some other legal person), owning and operating a plurality of incorporated attorney practices?
- Should the Code provide that incorporated attorney practices that are commonly owned are not to be treated (a) as 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?
- Should the Code provide guidance on what governance and management structures and procedures are required within group scenarios for group practices to be considered as operating independently for the purposes of the Code?
- If so, what are the governance and management structures and procedures that should be specified in the guidance? How prescriptive should be the guidance?
- Should the Code impose on a commonly owned attorney practice an obligation to disclose the practice's ownership status to prospective and existing clients?
- If so, what is the minimum information about the practice's ownership status that should be disclosed?

**Issue 5: Equal application of conflict of interest provisions**

- Should the Code's conflict of interest provisions apply to all attorneys equally, whether they are individual attorneys, incorporated attorneys that are not part of a group, or incorporated attorneys that are part of a group (either a publicly listed group or a privately owned group)?
- If not, which conflict of interest provisions should be limited in their application, to which types of attorney should they be limited, and why?

**Issue 6: Double employment**

- Should the Code expressly permit double employment in non-contentious matters so long as the clients provide sufficient consent?
- If so, what type of consent should the Code specify as being sufficient for this purpose?
- Should the Code provide guidance on what information must be provided to a client for its consent to be sufficient to permit an attorney to act in a double employment situation?
- If so, what is the information that should be specified in the guidance?
- Should the Code expressly prohibit double employment in contentious matters?
- If so, should the Code provide guidance on what are to be regarded as contentious matters for this purpose? What matters are to be considered contentious matters for this purpose?
- If not, what other safeguards might be implemented to protect clients in contentious matters giving rise to, or likely to give rise to, double employment?

**Issue 7: Resolution of conflicts of interest**

- Should the Code apply the obligation to take steps to resolve a conflict of interest to all types of such conflict?
- Should the Code provide guidance on what steps an attorney must take to resolve a conflict of interest?
- If so, what are the steps that should be specified in the guidance?

## PART B – PROVISIONS OF THE CODE GENERALLY

The trans-Tasman regime for the regulation of patent attorneys commenced on 24 February 2017. As explained in Part A.1, the Board is required to conclude a review of the Code, and make any appropriate amendments to the Code, within one year of commencement of the trans-Tasman regime.

The Board has undertaken a preliminary consideration of the need to revise the provisions of the Code other than those relating to conflicts of interest (the conflict of interest provisions having been subject to the review discussed in Part C). It has identified three areas in respect of which it is necessary, or it may be desirable, to revise the Code in relation to these other provisions.

### 1. AMENDMENTS CONSEQUENTIAL UPON INTRODUCTION OF THE TRANS-TASMAN REGIME

There are a number of minor consequential amendments that need to be made to the Code following the commencement of the trans-Tasman regime. These amendments are:

- changing the name of the Code in section 1 to reflect its trans-Tasman status – such as to “Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys”;
- including the *Patents Act 2013* (NZ) in the section 2 list of authorities under which the Code is made;
- changing the definition of “Board” in section 4 to reflect the new name of the Board – being the “Trans-Tasman IP Attorneys Board”;
- changing various other terms defined in section 4 to ensure consistency with the trans-Tasman operation of the Code; and
- changing the website and other details listed in sections 25(3), 25(4) and 25(5) to reflect the new means of communication by and with the Board following its change of name.

### 2. APPLICATION OF PROVISIONS TO ALL ATTORNEYS EQUALLY

There are a number of provisions in the Code, other than those relating to conflicts of interest, which are stated to apply only to a registered attorney “who is an individual”. Such provisions include:

- *section 11(4)* – which makes an individual registered attorney responsible for his or her own work;
- *section 12* – which requires an individual registered attorney to have appropriate competency for the work he or she does;
- *sections 13(1) and 13(2)* – which specify what an individual registered attorney must give to a new or prospective client;
- *sections 14(2) and 14(3)* – which specify what an individual registered attorney must give to an existing client for whom new work is undertaken;
- *section 14(4)* – which requires that an individual registered attorney must give the client an opportunity, if practicable, to review drafts of patent specifications; and
- *section 24(3)* – which entitles the Board to commence proceedings before the Disciplinary Tribunal for unsatisfactory professional conduct or professional misconduct by an individual registered attorney.

The Board is inclined to the view that it is neither necessary nor appropriate to limit the application of these provisions to individual attorneys. Accordingly, the Board is considering removing from the Code such limitations, with the effect that these provisions – as with almost all of the other

provisions in the Code – will apply to all registered attorneys equally, whether they are individual attorneys or incorporated attorneys.

Relatedly, the Board recognises that the obligations imposed by *section 22* and *section 23* apply only to attorney directors, and incorporated attorneys, respectively. The obligations imposed by these sections are, however, very similar in essence to the obligations imposed by *section 21*, which applies to all registered attorneys. The Board is inclined to the view that it may be desirable to streamline these provisions. Accordingly, the Board is considering consolidating all of these obligations into one provision, applicable to all registered attorneys.

### **3. ELABORATION OF PROFESSIONAL CONDUCT STANDARDS**

The substance of the Code is the standards that it sets for the professional conduct of registered attorneys. In varying degrees of detail, the Code sets standards in relation to the following professional conduct matters:

- *communication* – sections 13 and 14
- *competency* – section 12
- *conflicts of interest* – section 15
- *confidentiality* – section 19
- *diligence* – section 16
- *integrity* – sections 11(3) and 17

Some of these matters (e.g., communication) are set out in some detail, while other matters (e.g., competency, diligence and integrity) are dealt with very briefly. The Board has reviewed the complaints made to it, and to its predecessor, about the professional conduct of registered attorneys over the past two years, to identify the basis of those complaints. For the 23 separate complaints made, 30 grounds could be identified (some complaints were based on more than one ground). These grounds (with their frequencies) were: diligence (9), integrity (9), conflicts of interest (4), competency (4), fees (3), other (1).

The Board is inclined to the view that it may be appropriate for the Code to elaborate the professional conduct standards, especially for those matters that have been the subject of the majority of complaints – namely, diligence and integrity. The Board recognises that while the standards, *per se*, are best stated in simple terms, it may be helpful to provide guidance as to what actions are required to meet those standards in various common situations. The Board has in mind the approach adopted in the UK Rules.<sup>4</sup> Accordingly, the Board is considering introducing into the Code Guidelines that would accompany, and provide guidance in relation to the discharge of, the professional conduct standards.

# PART C – PROVISIONS OF THE CODE RELATING TO CONFLICTS OF INTEREST

## 1. DEVELOPMENTS IN THE STRUCTURE OF THE PROFESSION

Traditionally, the services of an attorney (i.e. of a patent attorney and/or a trade marks attorney) have been delivered to clients either by a sole practitioner or by a group of practitioners operating in partnership. This changed in Australia in 2013, when the *Intellectual Property Laws Amendment Act 2012* (Cth) came into effect. By virtue of changes effected by Schedule 4 of that Act, a company that had at least one attorney as a director could register as an incorporated attorney. The effect was to permit the delivery of attorney services to clients by a company. Similar changes were effected in New Zealand in February 2017, with the commencement of Part 2 of the *Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016* (NZ).<sup>5</sup> Following the Australian legislative changes, almost every firm of attorneys in Australia that previously practised as a partnership became incorporated – i.e. formed a company, transferred their business to the company, and delivered their services through the company. As of mid-April 2017, three New Zealand patent attorney practices are incorporated.

A further significant development occurred in 2014 when the company IPH Limited (“IPH”) was formed and acquired the business of the attorneys Spruson & Ferguson. In November 2014 IPH listed on the Australian Stock Exchange (“ASX”), becoming the first public company in Australia to hold within its corporate group an attorney company. Subsequently, IPH acquired the practices of long-established Australian attorney firms Fisher Adams Kelly Callinans (itself a merger of the firms Fisher Adams Kelly and Callinans) and Pizzeys Patent and Trade Mark Attorneys. IPH also acquired a specialist IP software development company, Practice Insight, and the overseas attorney practices Ella Cheong (Hong Kong) Limited and its subsidiary Ella Cheong Intellectual Property Agency (Beijing) Company Limited.<sup>6</sup> Currently IPH is an ASX 200 company with a current market capitalisation of approximately AUD 945 million.

The successful listing of IPH attracted significant attention in the Australian attorney profession. It was followed by the listing on the ASX of two other companies holding attorney practices: Xenith IP Group Limited (“XIP”) in November 2015, and Qantm Intellectual Property Limited (“QIP”) in August 2016. XIP is the holding company for the practices of Shelston IP, Watermark Intellectual Property, and Griffith Hack,<sup>7</sup> with a current market capitalisation of approximately AUD 185 million. QIP is the holding company for the practices of Davies Collison Cave and FPA (formerly Freehills Patent Attorney),<sup>8</sup> and has a market capitalisation of approximately AUD 245 million. As of mid-April 2017, there is no publicly listed company in New Zealand that owns, or is, a patent attorney practice.

The attorney firms that are part of the group of firms owned by the Australian publicly listed holding companies (“**listed group firms**”) in sum account for a large majority of the patent prosecution work, and a significant minority of the trade marks prosecution work, conducted before IP Australia. According to data provided by the Analytics Hub at IP Australia, listed group firms were the agents for two-thirds (67%) of all patent applications, and just over one-quarter (27%) of all trade mark applications, filed in Australia in the periods 2003-2015 and 2000-2015, respectively.<sup>9</sup>

## 2. LAW ON CONFLICTS OF INTEREST

### (a) Conflicts, Duties and Breaches

A *conflict of interest* is a situation where the interests of one person are contrary to (i.e. in conflict with) the interests of another person. A professional service provider (“**professional**”), such as an attorney, will be involved in an actual or potential conflict of interest situation (“**conflict situation**”) where the professional has two (or more) clients whose interests conflict, or where the professional’s own interests are in conflict with those of its client.

A *duty* is an obligation owed by one person to another. Some professionals in certain circumstances owe duties to their clients in a conflict situation. Where such a duty exists, a failure to discharge the duty can constitute conduct of the type that would lead a regulatory body to impose a disciplinary sanction. It can also constitute conduct that would entitle a client to sue for a remedy at law.

Self-evidently, whether a professional will be in *breach of a duty* in relation to a conflict situation will depend on whether or not that professional actually owes (i.e. is under) that duty to the client and, if the professional does, whether or not the professional has failed to discharge the obligations that the duty mandates. The existence of, and scope of the obligations mandated by, such duties vary depending on the type of professional and the circumstances of the situation. It is commonly accepted that, of all professionals, lawyers owe the highest level of duties in a conflict situation. It is less settled what are the duties owed by attorneys. The following discussion first considers the duties and obligations of lawyers, before considering the extent to which those duties and obligations apply to attorneys.

### (b) Duties and Obligations of a Lawyer

The ethical rules governing the legal profession are grounded in long-standing principles concerning a lawyer’s duties to its client. Ensuring the best outcome for the client is a lawyer’s primary obligation, second only to its overarching duty to the administration of justice.<sup>10</sup> The lawyer’s duties to the client are of two general types: fiduciary, and non-fiduciary. While both types of duties are based on the general concept of loyalty, the requirements for proper discharge of them differ.

#### (i) *Fiduciary Duties*

Fiduciary duties are informed by principles of equity. The law recognises the lawyer-client relationship as necessarily fiduciary in nature<sup>11</sup> given the “trust and confidence”<sup>12</sup> imputed to lawyers because of their skill and knowledge. As such, clients are “entitled to the single-minded loyalty” of their lawyer,<sup>13</sup> to ensure that the lawyer properly acts in their best interests. In doing so, lawyers assume a “mandatory baseline”<sup>14</sup> of duties which cannot be negated by mutual agreement between the lawyer and client.<sup>15</sup> Properly discharging these baseline duties requires a lawyer to avoid any conflicts, both actual and potential, between the lawyer’s personal interest and the interest of the client (a “**duty-interest conflict**”), and between the interests of two or more clients (a “**duty-duty conflict**”).

A *duty-interest conflict* includes “obtain[ing] any unauthorised benefit from the relationship”.<sup>16</sup> Such a benefit includes, but is not limited to, a financial benefit, and includes a benefit that is indirect as well as one that is direct.<sup>17</sup> A *duty-duty conflict* can arise in two ways: acting against a former client, and acting for multiple clients in the same or a closely related matter (“**double employment**”). Because a fiduciary duty is considered terminated when the professional-client

relationship ends,<sup>18</sup> a professional's duty to avoid a conflict between a current client and a former client is generally regarded as a non-fiduciary duty (the scope of which is considered below).

The risk of a duty-duty conflict arising in the **double employment** situation is high given that advising multiple clients necessarily divides the lawyer's loyalty. Where representing two clients could result in a duty-duty conflict, the lawyer's obligations are twofold – the lawyer must: (i) obtain from each client “fully informed consent” (a concept discussed further below), and (ii) erect an effective information barrier.<sup>19</sup> If both obligations are met, the proper view is that the lawyer is immune from potential liability,<sup>20</sup> or at least has a defence to a breach of fiduciary duty.<sup>21</sup> There may, however, be a practical difficulty in meeting the requirement that the clients give fully informed consent.

To be “**fully informed consent**”, the consent must be “given in the knowledge that there is a conflict between the parties”.<sup>22</sup> Whether such consent has been obtained is a “question of fact in all the circumstances of each case.”<sup>23</sup> Australian courts and academics have generally agreed that fully informed consent requires a lawyer to fully disclose all material facts,<sup>24</sup> so that both of the clients can “appreciate that the [lawyer] is acting under a disability”<sup>25</sup> and can understand the consequences of the lawyer acting as such.<sup>26</sup> Some courts have stressed that for a client to give fully informed consent, the lawyer must also advise the client to seek independent legal advice about the conflict.<sup>27</sup>

This high standard of disclosure raises the question of whether engaging in double employment is practically possible or even theoretically permissible. Regarding the former, a lawyer risks breaching the obligation of confidentiality owed to a client if the lawyer discloses to one client the material facts of the other client's case, and *vice versa*, so as to ensure that each client is fully informed about the conflict.<sup>28</sup> Regarding the latter, the courts have stated that there may be situations in which it is impossible, notwithstanding full disclosure, for a lawyer to act fairly and adequately for different parties – in which case, there will be a “blanket prohibition on acting ... regardless of consent”.<sup>29</sup> Although such situations are not limited to litigation,<sup>30</sup> litigation and like contentious matters are almost certainly a situation in which such a prohibition will be applied.<sup>31</sup>

### **(ii) Non-Fiduciary Duties**

Non-fiduciary duties are informed by principles of equity, contract and tort law. Separate from fiduciary duties,<sup>32</sup> a lawyer owes non-fiduciary duties to its client. While fiduciary duties are solely concerned with loyalty to the client,<sup>33</sup> non-fiduciary duties aid in the provision of such loyalty and “proper performance”<sup>34</sup> of the role of advisor. They do this by ensuring that lawyers “act with reasonable care, diligence and skill” in accordance with the instructions under the retainer, and by ensuring that lawyers “do not disclose confidential information given to them by the client in the course of the retainer” (“**confidentiality duty**”).<sup>35</sup>

It is generally accepted that lawyers do not owe fiduciary obligations to former clients.<sup>36</sup> Therefore, when a lawyer acts for a client **against a former client**, the lawyer will only owe the former client a duty of confidentiality, and so usually there will be no need to obtain informed consent from the former client.<sup>37</sup> Where a lawyer possesses confidential information of a former client, courts will presume that there is a free-flow of information within a firm,<sup>38</sup> and hence that every lawyer in the firm has access to the former client's confidential information – with the result that no lawyer in the firm can act against the former client. For this presumption to apply, the former client's information must indeed be confidential (that is, information “imparted in confidence”<sup>39</sup> and not general information) and must be relevant to the new matter.<sup>40</sup>

One way to rebut the presumption, and permit another lawyer in the firm to act for a client against the former client, is to establish an effective *information barrier* (sometimes called a “Chinese wall”) to prevent the flow of confidential information between the “tainted lawyer”<sup>41</sup> and the firm’s other lawyer(s) now acting against the former client (“**affected lawyers**”).<sup>42</sup> To be effective, an information barrier should ensure that there is “no real risk of disclosure”,<sup>43</sup> including inadvertent disclosure.<sup>44</sup> Measures that will ensure the effectiveness of the information barrier include prohibiting the tainted lawyer from acting in the new matter, obtaining written undertakings signed by affected lawyers, and utilising information-blocking technology.<sup>45</sup> Above all, the information barrier measures used should be “an established part of the organisational structure of the firm, as opposed to something created on an *ad hoc* basis”.<sup>46</sup>

### **(c) Duties and Obligations of an Attorney**

#### **(i) Fiduciary Duties**

According to one authoritative commentator, it is clear that attorneys, unlike lawyers, do not owe fiduciary duties to their clients by virtue of their *status* as an attorney.<sup>47</sup> This means that if fiduciary duties are to be imposed on an attorney, it will be by virtue of the facts of the particular relationship between the attorney and the client. That is to say, if an attorney is a fiduciary it will be a “fact-based”, rather than “status-based”, fiduciary.<sup>48</sup>

When determining whether a professional is a fact-based fiduciary, it is crucial to examine the scope of the attorney’s retainer – that is, the “particular task that the professional has agreed to undertake”.<sup>49</sup> An attorney may undertake a range of tasks that differ in skill and difficulty. At the higher end of the scale, attorneys are tasked with “interfere[ing] with property rights”.<sup>50</sup> Given that fact, it seems clear that fiduciary obligations attach to at least *some* of the work performed by attorneys. However, it is unlikely that fiduciary obligations attach to all of the work undertaken by attorneys. Simpler, more administrative, tasks – such as providing “nothing more than a convenient conduit” for a foreign entity to file an Australian patent application – are unlikely to attract such obligations.<sup>51</sup> Attorneys who are fact-based fiduciaries will, like lawyers who are status-based fiduciaries, owe certain duties to their client, the most important being the obligation to avoid duty-interest and duty-duty conflicts.

The measures that an attorney can adopt to ensure compliance with its conflict duties vary, depending on: (i) the type of conflict that the attorney seeks to cure, and (ii) on what, exactly, the attorney has been retained by the client to do (since any fiduciary relationship is fact-based). It is unclear whether – and, if so, when – an information screen (which may be sufficient to discharge the non-fiduciary duty to maintain confidentiality) alone will be sufficient for an attorney to discharge a fiduciary duty, such as in the double employment situation. On the one hand, the courts have tended to adopt the view that an information barrier alone cannot overcome a fiduciary duty (particularly in the double employment situation).<sup>52</sup> On the other hand, certain non-lawyer professionals, such as financial service providers, consider that information screens alone discharge any duty that arises in the double employment situation.<sup>53</sup> Haller considers that it is at least arguable that an information screen can be sufficient for attorneys in certain situations, given that they are not status-based fiduciaries.<sup>54</sup> If that is correct, then in some situations the position of an attorney will not be as onerous as the position of an Australian lawyer.

Haller states that in most situations an attorney can discharge its fiduciary duties in a conflict situation by obtaining the client’s informed consent. She notes, however, that “[t]he steps necessary for consent to be informed vary greatly, depending on the client’s degree of sophistication”, and that it may even be necessary for the attorney to advise the client to seek independent legal advice on whether to provide the consent.<sup>55</sup> The issue is particularly problematic in the double

employment situation, as the attorney may be unable to provide one client with the information necessary for it to be properly informed due to the attorney's duty to maintain the confidentiality of information of the other client. It follows that, in practice, the attorney's obligations in this situation may be essentially the same as those of an Australian lawyer.

***(ii) Non-Fiduciary Duties***

In addition to the fiduciary duties owed to the client by an attorney who is a fact-based fiduciary, an attorney typically will owe non-fiduciary duties to the client. Thus, an attorney will typically owe the client a reasonable care duty and a confidentiality duty.<sup>56</sup>

Where a former client's interests conflict with those of an existing client, an attorney may discharge their non-fiduciary duty of confidentiality to the former client by establishing information barriers.<sup>57</sup> The attorney's obligation in this situation is essentially the same as that of an Australian lawyer.

### **3. POSITION IN OTHER JURISDICTIONS**

**(a) Listed Group Scenario**

***(i) US***

The incorporation of patent attorneys and patent agents is not permitted in the US. It follows that the listed group scenario has not, and currently cannot, arise in the US.

***(ii) UK***

The incorporation of patent attorneys is permitted in the UK. Furthermore, there is at least one publicly listed company that operates a patent attorney business – Murgitroyd Group PLC (“Murgitroyd Group”). Murgitroyd Group was floated on the Alternative Investment Market of the London Stock Exchange on 30 November 2001,<sup>58</sup> and has a market capitalization of approximately GBP 36 million. Murgitroyd Group is the holding company of Murgitroyd & Company Limited (“Murgitroyd & Company”). Murgitroyd & Company ranks among the largest groups of patent and trade mark attorneys in Europe, with 14 offices (in the UK, Finland, France, Germany, Ireland, Italy and Switzerland), over 60 patent and trade mark professionals, and more than 260 staff.<sup>59</sup>

It is understood that Murgitroyd & Company conducts its operations as though all of its offices are part of the one firm, and that Murgitroyd Group does not own any other attorney business. On this understanding, Murgitroyd Group, while a publicly listed company, is not an equivalent of IPH, XIP or QIP because it does not hold a group of attorney firms that operate independently of each other. It follows that, while the listed group scenario could arise in the UK, it has not yet done so.

**(b) Conflicts of Interest**

***(i) US***

The United States Patent and Trademark Office has promulgated the *USPTO Rules of Professional Conduct* (“**US Rules**”) that apply to patent prosecution practitioners – that is, to both patent attorneys (the equivalent of Australian patent lawyers) and patent agents (the approximate equivalent of Australian patent attorneys).<sup>60</sup> 37 C.F.R. §§11.107-110 of the US Rules deal with conflict of interest situations.

On the issue of a **duty-interest conflict**, C.F.R. §11.108(a) provides that a practitioner shall not enter into a business transaction with a client unless the terms are fair and reasonable and fully disclosed to the client, the client is advised to seek independent legal counsel about the transaction, and the client gives informed consent in writing.

On the issue of a **duty-duty conflict**, C.F.R. §11.107(a) states that a practitioner shall not represent a client if this would be directly adverse to another client or if the representation would be materially limited by the practitioner's responsibilities to another client. C.F.R. §11.107(b) provides that a practitioner may represent a client in this situation if the practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each client, the representation is not prohibited by law, each client gives informed consent in writing, and "the representation does not involve the assertion of a claim by one client against another client represented by the practitioner in the same litigation or other proceeding before a tribunal". It can be seen that, by virtue of this last condition, there is a blanket prohibition on representing clients opposed to each other in a contentious matter.

In sum, the rules on conflict that apply to US patent attorneys and patent agents are in essence substantially the same as the principles that apply to Australian lawyers.

#### *(ii) UK*

The Patent Regulation Board of the Chartered Institute of Patent Attorneys and the Trade Mark Regulation Board of the Institute of Trade Mark Attorneys, working jointly as the UK Intellectual Property Regulation Board, have made *Rules of Conduct for Patent Attorneys, Trade Mark Attorneys and Other Regulated Persons* ("UK Rules").<sup>61</sup> Rule 7 of the UK Rules deals with conflict of interest situations.

On the issue of a **duty-interest conflict**, Rule 7 provides that an attorney must not act where the attorney's interests (or those of a partner or employee) conflict with those of a client or a former client. On the issue of a **duty-duty conflict**, Rule 7 provides that an attorney may act for two or more clients, or act for a client against a former client, in relation to the same or a related matter in a situation of conflict, "but only if all of the parties have given their informed consent in writing". Rule 7 also states that, regardless of consent, an attorney must refuse to act on behalf of conflicting or potentially conflicting parties "in contentious matters, in circumstances where the [attorney's] actions would not be seen to be neutral or where accepting instructions from both parties would risk a breach of Rule 5 [on integrity] or if Rule 8 [on confidentiality] cannot be observed".

The Rules contain "guidance" on the operation of the various provisions. On a **duty-interest conflict**, Guidance 7.7 provides that where there is conflict between the interest of an attorney and those of a client, "neither informed consent, nor any other arrangement", will enable the attorney to act for that client. On a **duty-duty conflict**, Guidance 7.4 relevantly states that "confidentiality safeguards" within firms or between branches may be sufficient to "cure" the conflict, provided that informed written consent is obtained from all parties. It also states, however, that confidentiality safeguards cannot "cure" a conflict to enable the same attorney to act on behalf of opposing parties in a contentious matter.

In sum, the rules on conflict that apply to UK attorneys are in essence substantially the same as the principles that apply to Australian lawyers.

## **4. PERSPECTIVES OF ATTORNEY STAKEHOLDERS**

A range of attorney stakeholders responded to the Board's September 2016 letter, and participated in an interview with Prof. Christie in February 2017. Those attorney stakeholders can be classified into four groups:

- a. Attorney profession representative organisation.
- b. Individual/small firm attorney.
- c. Medium/large attorney firm not part of a listed group.
- d. Listed holding company and listed group attorney firm.

Not surprisingly, the attorney stakeholders' perspectives on the listed group scenario tend to differ, depending on the group from which the attorney stakeholder comes. These different perspectives are set out below in a consolidated and summary form. Some caution in reading these perspectives is required, by virtue of them being consolidated and summarised. In particular, the perspectives described for each category of stakeholder should not be read as necessarily being held by all members of that category. Also, while the language used to describe the perspectives captures the flavour of the attorney stakeholders' views, it does not purport to be a record of the precise words written or spoken by any one attorney stakeholder.

#### **(a) Attorney Profession Representative Organisations**

The attorney profession representative organisations are currently limited in the extent to which they can purport to speak on behalf of their members and the profession as a whole on matters concerning the listed group scenario. This is because their Executive Committee/Council includes many members from both listed group and non-listed group attorney firms. For this reason, it has not been possible for them to reach a consensus view on the issue.

Nevertheless, the organisations believe that the Board should act to clarify the duties and obligations of listed group firms in the conflict situation. They say that their Codes of Ethics do not, and should not, attempt to regulate the situation. The organisations are very keen to provide feedback on specific options once the Board has developed them.

#### **(b) Individual/Small Firm Attorneys**

Attorneys practising on their own or in a small firm appear to be the most critical of the listed group scenario. Their primary concern relates to the situation of listed group firms within the same group acting on opposite sides of a formally contentious matter, such as an opposition in the Patent Office or the Trade Marks Office. These attorneys consider that this situation involves a duty-duty conflict. They say that the assertion that the two firms are independent of each other, and hence no conflict arises, is largely a fiction. They also consider that the situation involves a duty-interest conflict, because the attorneys of both firms typically have a shareholding (often a substantial one) in the listed holding company, and so derive an indirect financial benefit from the work of the opposing firm. Furthermore, they consider that the conflict situation arises beyond formally contentious matters, and arises in the situation where one firm in a group is prosecuting an application that is likely to be of concern (in the sense of giving rise to competing rights) to a client of another firm in the group.

The individual or small firm attorney believes the Board should amend the Code to clarify how the current provisions apply to the listed group scenario and to make specific provisions regulating the conduct of listed group firms in situations that do, or likely may, give rise to conflicts. One view is that the Code should provide that it is not permissible for listed group firms within the same group to act for clients on either side of a formally contentious matter.

### **(c) Non-listed Attorney Firms**

The medium and large attorney firms that are not part of a listed group (“**non-listed firms**”) have a number of concerns with the listed group scenario. A key concern is where different firms within the one group (“**listed group firms**”) act on opposing sides of formally contentious matters. Numerous “live” examples of this occurring were provided. Their concerns extend beyond this situation, however, to the fact that listed group firms within the same group can and do prosecute applications for clients whose interests are contrary to one another. The non-listed firms see the listed group scenario as an artifice, the intention of which is to avoid the need for the group to lose any clients when a new firm is included within the group. That is to say, using the holding company to own and operate the listed group firms under separate banners avoids the loss of clients that would inevitably have occurred had the listed group firms instead merged. It also avoids the loss of clients that might otherwise have occurred from taking on a new client whose commercial interests are in conflict with those of an existing client, because the new client can be referred to another firm within the group. It must be noted, however, that the non-listed firms recognise that this is an instance of a *commercial* conflict, not a legal conflict to which a fiduciary duty applies.

The non-listed firms believe that the listed group scenario has a negative competitive (and hence financial) impact on them in a number of ways. First, they will not have the same freedom as do the listed group firms to take on new clients, because they cannot avoid a possible commercial conflict between the new and existing clients by referring the new client to another member of the group. Secondly, they will no longer receive any referrals from a listed group firm to act for the listed group firm’s client when there is a duty-duty conflict, because the listed group firm will now refer the client to another firm within the same group. They say that the playing field is not level.

The non-listed firms generally consider that there is a duty-duty conflict when listed group firms within the same group act for clients with conflicting interests, but believe the giving of fully informed consent by each client can remedy the problem. The non-listed firms are concerned, however, that the listed group firms are not sufficiently transparent with current and new clients about their ownership situation, such that whatever consent has been obtained is unlikely to be fully informed consent.

The non-listed firms believe the Board should amend the Code of Conduct to specify the degree of transparency that is required about the common ownership of the listed group firms, and the information that must be provided to clients of listed group firms to ensure that their consent for the firms to act in formally or informally contentious matters is fully informed consent.

### **(d) Listed Holding Companies/Listed Group Attorney Firms**

The listed holding companies recognise the potential for conflicts of interest to arise in the listed group scenario, and accordingly have taken the advice of senior counsel about their duties and their obligations. As a result, they have included provisions in their Constitutions about the hierarchy of duties that apply, they have included statements on their website, letterhead and in their client Terms of Engagement about the ownership structure of the firms in the group, and they have implemented specific management and governance structures for the group holding company and for the firms in the group. The listed holding companies believe that, by virtue of being listed, they have more onerous obligations about transparency, and are exposed to greater risk in terms of consequences of failing to meet obligations concerning the conflict situation, than do non-listed attorney firms. They believe that these factors ensure that they adopt best practice mechanisms, and that their mechanisms ensure that no breach of a conflict duty does or can arise. In short, while acknowledging that the possibility of a problem exists, they say that their response has ensured that there is no problem in fact.

As general rule, the holding companies believe the Board should act to clarify the position with respect to the listed group scenario. In particular, the listed group scenario should be recognised in the Code – they say that it is, after all, the new normal. Provision should be made to clarify and elaborate how the existing provisions of the Code apply to the listed group scenario and to make specific provisions for the conflict situation. In particular, it should be made clear that the informed consent of a client is sufficient to ensure there is no breach of a duty. However, the degree of informed consent that is necessary should not be as great as “fully informed consent” as that concept has been interpreted in the cases concerning lawyers. Instead, what should be required is a degree of informed consent that is workable in practice – reasonably informed consent. Furthermore, provision should be made in relation to what management and governance practices are required in the listed group scenario. Under one view, the detail of these provisions should be included in the Code itself. Under another view it should be included in Guidelines that are separate from the Code.

## **5. BOARD’S VIEWS AND PROPOSALS**

### **(a) Listed Group Scenario**

#### ***(i) Recognition of Group Scenarios***

The Board recognises that the listed group scenario is a valid legal structure when considered from the perspective of corporations law. The Board also recognises that an equivalent scenario in which the holding company is a private company would also be a valid legal structure. The Board is of the view that attorneys should be free to adopt whatever valid legal structure best suits their commercial interests. Accordingly, the Board does not propose to prohibit or restrict the ability of attorneys to deliver their services through the operation of groups of incorporated attorney firms owned by a holding company, whether that holding company be a publicly listed company or a private company.

The Board recognises that the listed group scenario is a reality, and indeed a significant commercial reality given the concentration of attorney work in Australia currently undertaken by listed group firms. While the Board is not aware of any attorney firms currently operating in a non-listed group, it recognises that such a scenario may occur at some future time. Given the current significant commercial reality of the listed group scenario, and the potential for the non-listed group scenario to arise in the future, the Board is of the view that both of these group scenarios should be expressly recognised in the Code and addressed to the further extent that may be necessary. Accordingly, the Board proposes to amend the Code to introduce recognition of the possibility of a company, whether publicly listed or private, owning and operating a plurality of incorporated attorney practices.

The Board is concerned that the degree of awareness and understanding of the listed group scenario among some clients, and the stake-holding public more generally, is limited. The Board recognises that achieving complete awareness and understanding by all stakeholders of the listed group scenario is unlikely to be possible in practice. The Board also recognises that the responsibility for achieving such awareness and understanding does not rest solely with the listed group firms; clients, too, have some degree of responsibility for knowing about their attorney. Nevertheless, the Board believes that there should be a very high degree of transparency of the ownership status of attorney firms in the group scenarios. Accordingly, the Board proposes to amend the Code to impose on commonly owned firms minimum obligations concerning disclosure of their ownership status to prospective and existing clients.

#### ***(ii) Commonly Owned Practices and Conflicts of Interest***

The Board recognises that, while the group scenarios are valid legal structures, their very natures give rise to the possibility of increased public perceptions of, the potential for, and the actual existence of, the particular conflicts of interest discussed above. This is particularly so in the situation where different firms within the same group act for clients opposed to each other in a contentious situation (“**group double employment**”). The Board is of the view that this situation raises a conflict of interest unless the firms are operating truly independently of each other. Accordingly, the Board proposes to amend the Code to provide that incorporated attorney practices that are commonly owned practices are not to be treated (a) as 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*.

The Board considers that there are a number of factors relevant to the independent operation of commonly owned firms. These factors include the governance structure, and the responsibilities of the governance officers, of the group’s holding company; the management structure, responsibilities and practices of the firms in the group; and the sharing of information between the holding company and firms in the group, and among firms in the group. The Board believes that guidance should be provided on these matters. Accordingly, the Board proposes to introduce Guidelines on the governance and management structures and procedures required to ensure that commonly owned practices are operated independently for the purposes of the Code.

## **(b) Conflict of Interest Obligations**

### ***(i) Duty-Interest Conflicts***

**Section 15(4)** of the Code imposes an obligation on a registered attorney to avoid the creation of a conflict of interest between the interests of the attorney and the interests of a current or former client – that is, a duty-interest conflict. Notably, that obligation is stated to apply to a “registered attorney who is an individual”. The Board is of the view that, in principle, the conflict of interest provisions of the Code should apply to all attorneys equally, whether they are individual attorneys, incorporated attorneys that are not part of a group, or incorporated attorneys that are part of a group (either a publicly listed group or a privately owned group). The Board recognises that there may be provisions that cannot, or should not, be applied to all registered attorneys; to the extent to which such provisions exist in the Code, distinctions between the different types of registered attorneys will need to be drawn. Except in respect of such provisions, however, the Code should apply without distinction. The Board is of the view that section 15(4) is not a provision in respect of which a distinction needs to be drawn between the different types of registered attorney. Accordingly, the Board proposes to amend the Code to apply the section 15(4) obligation to *all* registered attorneys.

The Board recognises that application of the section 15(4) obligation to all registered attorneys will require consequential amendments to **section 15(5)**, which sets out what are the interests of a registered attorney for the purposes of section 15(4). Paragraphs (b), (c) and (d) of section 15(5) refer to the interests of the attorney’s family members, non-family dependents, and friends, respectively. These concepts make sense only where the attorney is an individual. Accordingly, the Board proposes to amend the Code so as to apply the provisions of paragraphs (b), (c) and (d) of section 15(5) only to individual attorneys – an amendment which could be achieved by inserting the words “where the registered attorney is an individual,” at the beginning of each paragraph.

### ***(b) Duty-Duty (Double Employment) Conflicts***

Sections 15(1), (2) and (3) of the Code deal with the duty-duty conflict of double employment. Section 15(2) provides that an attorney must not engage in double employment unless the requirements of section 15(1) are satisfied. For double employment to be permitted, section 15(1)

requires that: (a) the attorney not have knowledge of one client that would prejudice the interests of, or provide an unfair advantage to, the other client; (b) the clients “allow” the attorney to do the work; and (c) it would not be contrary to a law for the attorney to do the work. The note to section 15(1) states that its effect is that an attorney “is generally not permitted” to engage in double employment “unless the special circumstances set out in the subsection exist”. Section 15(3) provides that where there is a “dispute between 2 or more persons mentioned in section 15(1) in relation to the matter”, the attorney must take steps as soon as practicable “to resolve the conflict”.

The Board has two concerns with the interpretation and operation of these provisions. One concern relates to the *section 15(1)(b)* requirement that the clients “agree to allow” the attorney to do the work. This requirement appears to be very different from the equivalent requirement that applies to Australian lawyers, and to attorneys in the US and the UK – namely, “fully informed consent” and “informed consent in writing”, respectively. Under one possible interpretation of section 15(1)(b), a client could “agree to allow” the attorney to do the work passively – that is, by merely not objecting to the attorney doing the work. Under another, slightly more onerous, interpretation, a client could “agree to allow” an attorney to do the work by positively agreeing to it being done, even though the client was not informed (whether fully, partially or at all) about the circumstances of the situation.

The Board considers that neither the simple passive allowance nor the mere positive agreement of the clients is sufficient to permit an attorney to engage in double employment; rather, it should only be permitted where the clients have given informed consent. The Board recognises the practical difficulties that can arise with the application of “fully informed consent” as that concept has been interpreted by the courts in relation to the double employment of lawyers. The Board considers that the “informed consent” sufficient to permit an attorney to engage in double employment must be a practically workable concept. Accordingly, it proposes to amend the Code to require that the “reasonably informed consent” of the clients is required before an attorney can engage in double employment in a matter. The Board also proposes to provide guidance on what information is required to be provided to the client so as to enable it to provide such consent.

A second concern of the Board relates to double employment in respect of *contentious matters*, such as oppositions and like proceedings. While the *note to section 15(1)* states that the general effect of section 15(1) is to not permit an attorney to engage in double employment, unlike the equivalent provisions in the US Rules and UK Rules, the section does not impose a blanket prohibition on double employment in contentious matters. The Board understands that lawyers and US and UK attorneys are prohibited from engaging in double employment in contentious matters on the ground that it is simply not possible for a professional to discharge the fiduciary duty of loyalty to both clients in such a situation. For this reason, the Board considers there should be a blanket prohibition on double employment in contentious matters. Accordingly, the Board proposes to amend the Code to prohibit double employment in contentious matters. The Board also proposes to provide guidance on when matters are contentious for the purposes of this provision.

### *(iii) Clarifying Provisions*

The Board is concerned that certain provisions of section 15 are unclear as to their meaning and/or substance. One such provision is *section 15(3)*. The Board is of the view that the clarity of this provision could be improved – for example, to address who are the “2 or more persons mentioned in subsection (1)”. Are they limited to the multiple clients for whom the attorney is seeking to work? Or, do they include in addition the attorney him/her/itself? In either case, what is meant by “a dispute ... in relation to the matter”? Does that mean only a contentious action by one client against the other (such as an opposition hearing), or does it include a disagreement between the clients as to whether the attorney can act in double employment? The Board considers that the obligation to take steps to resolve a conflict of interest should apply whether the conflict is a duty-

interest conflict or a duty-duty conflict. Accordingly, the Board proposes to amend the Code to make clear that the obligation to resolve a conflict of interest applies to any type of conflict of interest.

The Board is of the view that section 15(3) could also be improved in respect of the requirement that the attorney take steps “to resolve the conflict”. What steps, exactly, is the attorney obliged to take? A similar concern is held in relation to the wording of *section 15(8)*. This section applies to both a duty-interest and a duty-duty conflict, actual or potential. It provides that when an attorney discovers such a conflict, it must take steps, as soon as practicable, to “resolve the conflict”. However, the section provides no guidance on what steps are required. The Board proposes to amend the Code to provide guidance on what steps an attorney needs to take to resolve a conflict of interest.

## APPENDIX

<b>ATTORNEY STAKEHOLDER</b>	<b>TYPE</b>	<b>RESPONDER TO BOARD'S SEPT 2016 LETTER</b>	<b>DISCUSSANTS WITH PROF. CHRISTIE, FEB 2017</b>
<b>AJ Park</b>	Attorney firm (non-listed)	<b>Kate McHaffie</b> (Partner)	<b>Kate McHaffie</b> (Partner)
<b>FB Rice</b>	Attorney firm (non-listed)	<b>Brett Lunn</b> (Managing Partner)	<b>Brett Lunn</b> (Managing Partner) <b>Paul Whenman</b> (Senior Partner)
<b>FICPI Australia</b>	Attorney profession representative body	<b>Stephen Krouzecky</b> (President)	–
<b>Griffith Hack</b>	Attorney firm (listed*)	<b>David Hughes</b> (Principal)	–
<b>IPH Limited</b>	Publicly listed holding company of a group of firms	<b>Philip Heuzenroeder</b> (Group General Counsel)	<b>Philip Heuzenroeder</b> (Group General Counsel) <b>John Afaras</b> (Principal, Spruson & Ferguson Lawyers) <b>Greg Gurr</b> (Principal, Spruson & Ferguson)
<b>Institute of Patent and Trade Mark Attorneys of Australia (IPTA)</b>	Attorney profession representative body	<b>Jeremy Dobbin</b> (President)	<b>Jeremy Dobbin</b> (President) <b>Trevor Davies</b> (Councillor) <b>Grant Shoebridge</b> (Councillor)
<b>Krouzer IP</b>	Individual attorney/Small firm	<b>Stephen Krouzecky</b> (Principal)	<b>Stephen Krouzecky</b> (Principal)
<b>Phillips Ormonde Fitzpatrick</b>	Attorney firm (non-listed)	<b>Greg Chambers</b> (Board Chair)	<b>Greg Chambers</b> (Board Chair) <b>Graham Cowin</b> (Partner)
<b>Qantm Intellectual Property Limited</b>	Publicly listed holding company of a group of firms	<b>Leon Allen</b> (Managing Director)	<b>Leon Allen</b> (Managing Director/CEO) <b>Justin Faye</b> (General Counsel)
<b>Watermark</b>	Attorney firm (listed)	<b>J Roger Green</b> (Principal)	–
<b>Xenith IP Group Limited</b>	Publicly listed holding company of a group of firms	<b>Stuart Smith</b> (Managing Director)	<b>Stuart Smith</b> (Managing Director)

\* At the time of its written response to the PSB's September 2016 letter, this firm was not part of a listed group

## NOTES

- <sup>1</sup> *Arrangement between the Government of Australia and the Government of New Zealand Relating to Trans-Tasman Regulation of Patent Attorneys*  
[https://www.ipaustralia.gov.au/sites/g/files/net856/f/bilateral\\_arrangement.pdf](https://www.ipaustralia.gov.au/sites/g/files/net856/f/bilateral_arrangement.pdf).
- <sup>2</sup> *Ibid*, clause 3.2.
- <sup>3</sup> *Rules of Conduct for Patent Attorneys, Trade Mark Attorneys and Other Regulated Persons*  
<http://ipreg.org.uk/wp-content/files/2012/08/IPReg-Code-of-Conduct-April-2016-website.pdf>.
- <sup>4</sup> *Ibid*.
- <sup>5</sup> *Patents (Trans-Tasman Patent Attorneys and Other Matters) Amendment Act 2016 (NZ)*  
[http://www.legislation.govt.nz/act/public/2016/0089/latest/whole.html?search=y\\_act\\_2016\\_ac%40ainf%40anif%40aaif\\_ac%40bn%40rn\\_25\\_a&p=3-DLM6636437](http://www.legislation.govt.nz/act/public/2016/0089/latest/whole.html?search=y_act_2016_ac%40ainf%40anif%40aaif_ac%40bn%40rn_25_a&p=3-DLM6636437)
- <sup>6</sup> ‘About IPH’ <http://www.iphltd.com.au/about-iph/>.
- <sup>7</sup> ‘About Us’ <http://www.xenithip.com/Home/?page=About-Us>.
- <sup>8</sup> ‘About Us’ <http://qantmip.com/about-us/>.
- <sup>9</sup> IPGOD 2016, table 101 and table 106.
- <sup>10</sup> Ian Dallen, ‘The rise of the information barrier: Managing potential legal conflicts within commercial law firms’ (2014) 88 *Australian Law Journal* 428, 437.
- <sup>11</sup> Gibbs CJ in *Hospital Products Ltd v United States Surgical Corp* (1984) 156 CLR 41 outlines other settled categories of fiduciary relationships, such as director and company, trustee and beneficiary and partners.
- <sup>12</sup> Dallen, n 10, at 429.
- <sup>13</sup> *Bristol & West Building Society v Mothew* [1998] Ch 1 at 18 (Millet LJ), cited in Dallen, *ibid*.
- <sup>14</sup> Samuel J Hickey, ‘The non-negotiable baseline of lawyers’ fiduciary duties’ (2016) 10 *Journal of Equity* 115, 115.
- <sup>15</sup> *Ibid*, 116.
- <sup>16</sup> *Breen v Williams* (1996) 186 CLR 71 at 108 (Gaudron and McHugh JJ).
- <sup>17</sup> *O’Reilly v Law Society of New South Wales* (1988) 24 SWLR 204.
- <sup>18</sup> *Prince Jefri Bolkiah v KPMG* [1999] 2 AC 222 at 235 (Millet LJ).
- <sup>19</sup> Dallen, n 10, 432.
- <sup>20</sup> Matthew Harding, ‘Two fiduciary fallacies’ (2007) *Journal of Equity* 1, 4.
- <sup>21</sup> *Chan v Zacharia* (1984) 154 CLR 178 at 204 (Deane J); *Maguire v Makaronis* (1997) 188 CLR 449 at 466 (Brennan CJ, Gaudron, McHugh and Gummow JJ).
- <sup>22</sup> *Clark v Mouat* [1994] 1 AC 428 at 435 (Lord Jauncey).
- <sup>23</sup> *Maguire v Makaronis*, n 21, 466 (Brennan CJ, Gaudron, McHugh and Gummow JJ).
- <sup>24</sup> *Halsbury’s Laws of Australia*, Equity, Fiduciaries, (f) Defences to Breach of Fiduciary Duty, [185-800] “Disclosure and informed consent”.
- <sup>25</sup> Malcolm Cope, ‘A Comparative Evaluation of Developments in Equitable Relief for Breach of Fiduciary Duty and Breach of Trust’ (2006) 6(1) *Queensland University of Technology Law and Justice Journal* 118, 124.
- <sup>26</sup> *Mantonella P/L v Thompson* [2009] QCA 80 at [83] (Muir JA).
- <sup>27</sup> *Maguire v Makaronis*, n 21, 466, affirmed in *Mantonella P/L v Thompson*, *ibid*.
- <sup>28</sup> Janet O’Sullivan, ‘Lawyers, Conflicts of Interest and Chinese Walls’ (2000) 16 *Professional Negligence* 88, ~~89~~ <sup>89</sup> *Conflicts and Duty*. The Perennial Lawyer’s Tale’ (2006) 30(1) *Melbourne University Law Review* 88, 137.
- <sup>29</sup> O’Sullivan, *ibid*.
- <sup>30</sup> *Moody v Cox & Hatt* [1917] 2 Ch 71, 81 (Lord Cozens-Hardy MR).
- <sup>31</sup> See Hickey, n 14, 130, who refers to the “extreme example” of “the practice of ambidexterity”. Hickey states: “If the same lawyer were retained as the sole counsel by two opposing parties in a proceeding litigation, then he or she would be unable to act regardless of whether or not they attained the informed consent of the parties.”
- <sup>32</sup> Dallen n 10, 430.
- <sup>33</sup> *Ibid*.
- <sup>34</sup> *Ibid*.
- <sup>35</sup> *Ibid*.

- <sup>36</sup> *Prince Jefri Bolkiah v KPMG*, n 19, 235.
- <sup>37</sup> Dallen, n 10, 434. It must be noted, however, that in at least one Australian jurisdiction – Victoria – the court has restrained a lawyer from acting against a former client in the same or related matter, even in the absence of confidential information: *Spincode Pty Ltd v Look Software Pty Ltd* (2001) 4 VR 501 (Victorian Court of Appeal).
- <sup>38</sup> *Prince Jefri Bolkiah v KPMG*, n **Error! Bookmark not defined.** 237.
- <sup>39</sup> *Ismail-Zai v The State of Western Australia* [2007] WASCA 150 at [29] (Steytler P).
- <sup>40</sup> Dallen, n 10, 434.
- <sup>41</sup> *Ibid*, 435.
- <sup>42</sup> *Ibid*.
- <sup>43</sup> *Prince Jefri Bolkiah v KPMG*, n 18, 237.
- <sup>44</sup> Dallen, n 10, 436.
- <sup>45</sup> *Ibid*, 436-437.
- <sup>46</sup> *Prince Jefri Bolkiah v KPMG*, n 18, 239, cited in Dallen, *ibid*.
- <sup>47</sup> Linda Haller, ‘Patent attorneys and conflicts of interest’ (2009) 4(6) *Journal of Intellectual Property Law & Practice* 407, 407.
- <sup>48</sup> *Ibid*.
- <sup>49</sup> *Ibid*.
- <sup>50</sup> *Ibid*, 414.
- <sup>51</sup> *World Medical Manufacturing Corporation v Phillips Ormonde & Fitzpatrick Lawyers* [2000] VSC 196, [275].
- <sup>52</sup> Haller, n 47, 414.
- <sup>53</sup> *Ibid*.
- <sup>54</sup> *Ibid*.
- <sup>55</sup> *Ibid*, 413
- <sup>56</sup> *Ibid*, 408-409.
- <sup>57</sup> *Ibid*, 413.
- <sup>58</sup> ‘Overview’ <http://murgitroydgroup.com>.
- <sup>59</sup> ‘The Company’ <http://www.murgitroyd.com/about/> - link-company.
- <sup>60</sup> *USPTO Rules of Professional Conduct*  
[https://www.govregs.com/regulations/title37\\_chapterI\\_part11\\_subpartD](https://www.govregs.com/regulations/title37_chapterI_part11_subpartD).
- <sup>61</sup> *Rules*, n 3.



# **Code of Conduct for Patent and Trade Marks Attorneys 2013**

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The Professional Standards Board for Patent and Trade Mark Attorneys makes the following Code of Conduct under the *Patents Act 1990* and the *Trade Marks Act 1995*.

Dated: 18 September 2013

The Professional Standards Board  
for Patent and Trade Mark Attorneys

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## Part 1—Preliminary

### 1 Name of code

This code is the *Code of Conduct for Patent and Trade Marks Attorneys 2013*.

Note: The Patents Act and the Trade Marks Act provide for the control of the professional conduct of registered attorneys, and for the control of the practice of the professions, by reference to standards of practice established by the Board from time to time. In this instrument, those standards are referred to as the *code*.

### 2 Commencement

This code commences on the day that is 1 month after the day this code is registered.

### 3 Authority

This code is made under the *Patents Act 1990* and the *Trade Marks Act 1995*.

### 4 Definitions

In this code:

*associated person* means:

- (a) in relation to a registered patent attorney who is an individual—a person (including another registered patent attorney who is an individual) who does work for the registered patent attorney under a contract or other arrangement (including a person who acts as the agent or representative of the registered patent attorney for the purposes of the Patents Act); and
- (b) in relation to an incorporated patent attorney—a person who:
  - (i) is not a staff attorney; and
  - (ii) does work for the incorporated patent attorney under a contract or other arrangement (including a person who acts as the agent or representative of the incorporated patent attorney for the purposes of the Patents Act); and
- (c) in relation to a registered trade marks attorney who is an individual—a person (including another registered trade marks attorney who is an individual) who does work for the registered trade marks attorney under a contract or other arrangement (including a person who acts as the agent or representative of the registered trade marks attorney for the purposes of the Trade Marks Act); and
- (d) in relation to an incorporated trade marks attorney—a person who:
  - (i) is not a staff attorney; and
  - (ii) does work for the incorporated trade marks attorney under a contract or other arrangement (including a person who acts as the agent or representative of the incorporated trade marks attorney for the purposes of the Trade Marks Act).

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**Board** means the Professional Standards Board for Patent and Trade Marks Attorneys.

**director** means a patent attorney director or trade marks attorney director.

**foreign-registered attorney** means an individual or a body corporate (however described) that is authorised, under a law of another country or region, to do some or all of the following work:

- (a) applying for patents, trade marks, designs or plant breeder's rights;
- (b) obtaining patents, trade marks, designs or plant breeder's rights;
- (c) preparing applications or other documents for the purposes of the laws of that country or region relating to patents, trade marks, designs or plant breeder's rights;
- (d) giving advice about the validity of patents, trade marks, designs or plant breeder's rights;
- (e) giving advice about the possible infringement of patents, trade marks, designs or plant breeder's rights.

**incorporated attorney** means an incorporated patent attorney or an incorporated trade marks attorney.

**incorporated patent attorney** has the same meaning as in the Patents Act.

**incorporated trade marks attorney** has the same meaning as in the Trade Marks Act.

**patent attorney director** has the same meaning as in the Patents Act.

Note: The expression is explained in subsection 198(11) of the Patents Act.

**Patents Act** means the *Patents Act 1990*.

**professions** means:

- (a) the patent attorney profession; and
- (b) the trade marks attorney profession.

**registered attorney** means a person to whom this code applies.

Note: This code applies to:

- (a) an individual patent attorney, an incorporated patent attorney and a patent attorney director; and
- (b) an individual trade marks attorney, an incorporated trade marks attorney and a trade marks attorney director.

The Patents Act and the Trade Marks Act explain these terms.

**registered patent attorney** has the same meaning as in the Patents Act.

**registered trade marks attorney** has the same meaning as in the Trade Marks Act.

**regulatory authority** means a body:

- (a) established by or under a law; or
- (b) otherwise established by a government;

## Section 5 Former Code of Conduct

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with which a registered attorney may deal with while doing work as a registered attorney.

Examples: Regulatory authorities include:

- (a) IP Australia (which includes the Patents, Trade Marks, Designs and Plant Breeder's Rights Offices); and
- (b) the Australian Customs and Border Protection Service; and
- (c) the Australian Competition and Consumer Commission; and
- (d) the Intellectual Property Office of New Zealand.

**staff attorney** means:

- (a) an individual who is a registered patent attorney and employed by an incorporated patent attorney; or
- (b) an individual who is a registered trade marks attorney and employed by an incorporated trade marks attorney.

**Trade Marks Act** means the *Trade Marks Act 1995*.

**trade marks attorney director** has the same meaning as in the Trade Marks Act.

Note: The expression is explained in subsection 228A(6C) of the Trade Marks Act.

### **5 Former Code of Conduct**

This code replaces the Code of Conduct that was published by the Board and commenced on 1 July 2008.

## Part 2—Overview

### 6 Application of code

This code applies to:

- (a) a registered patent attorney; and
- (b) a registered trade marks attorney.

Note 1: When this code commenced:

- (a) the Patents Act covered an individual patent attorney, an incorporated patent attorney and a patent attorney director as registered patent attorneys; and
- (b) the Trade Marks Act covered an individual trade marks attorney, an incorporated trade marks attorney and a trade marks attorney director as registered trade marks attorneys.

The Patents Act and the Trade Marks Act explain these terms.

Note 2: Persons working in patents or trade marks must not use the word “attorney” to describe themselves unless the correct registration under the Patents Act or the Trade Marks Act is current and in force. Those Acts, and the *Corporations Act 2001*, set out requirements that apply to persons who are unregistered but use the word “attorney” to describe themselves.

### 7 Objectives of code

- (1) The Patents Act and the Trade Marks Act provide for the control of the professional conduct of registered attorneys, and for the control of the practice of the professions, by reference to standards of practice established by the Board from time to time.

Note: See paragraph 228(2)(r) of the Patents Act and paragraph 231(2)(ha) of the Trade Marks Act.

- (2) The objectives of this code are to:
  - (a) explain the professional conduct required of registered attorneys in their dealings with:
    - (i) their clients; and
    - (ii) other professional service providers; and
    - (iii) a regulatory authority; and
  - (b) assist clients of registered attorneys, and others who deal with the professions, to understand the obligations of registered attorneys to their clients and other professional service providers; and
  - (c) explain how information can be given to the Board to enable it to investigate the conduct of a registered attorney.

Note: Registered attorneys are expected to comply with this code since the Board is entitled to take a failure to comply with this code into account in assessing the conduct of a registered attorney or a complaint against a registered attorney.

## **8 Examples in code**

This code contains examples of behaviour to assist registered attorneys and their clients to understand this code and the conduct it covers. The examples are not exhaustive.

## **9 Rights of clients not affected**

This code does not affect or reduce the rights of a client of a registered attorney in relation to the registered attorney's conduct.

## Part 3—Professional conduct

### 10 Application of Part 3

This Part applies to all registered attorneys.

Note: Some specific obligations in this Part apply only to a registered attorney who is an individual, or in a supervisory role such as a patent attorney director or a trade marks attorney director.

### 11 Core obligations

- (1) A registered attorney must act as a patent attorney or a trade marks attorney:
  - (a) in accordance with the law; and
  - (b) in the best interests of the registered attorney's client; and
  - (c) in the public interest; and
  - (d) in the interests of the registered attorney's profession as a whole.
- (2) If a registered attorney is unable to comply equally with all of the obligations mentioned in subsection (1), the registered attorney must treat the obligations as an order of priority in which paragraph (1)(a) is the highest priority.
- (3) A registered attorney:
  - (a) must not act as a patent attorney or a trade marks attorney in a way that is fraudulent or deceitful; and
  - (b) must maintain standards of professional practice as a patent attorney or a trade marks attorney that are courteous, ethical and well-informed.

Example: If a registered attorney behaves disrespectfully and without courtesy to a government officer such as an examiner, or to another attorney or a member of the public, that conduct will reflect poorly on the registered attorney's profession.
- (4) A registered attorney who is an individual is responsible for his or her own work, acts and defaults as a patent attorney or a trade marks attorney.

Note: If a registered attorney does work for another registered attorney of any kind, the Board also requires the other registered attorney to be responsible for that work and those acts and defaults: see sections 21, 22 and 23.
- (5) A registered attorney must:
  - (a) have a current address at which notices can be served for the purposes of this code; and
  - (b) ensure that the Board is notified of the current address; and
  - (c) notify the Board of a change of address within 14 days.
- (6) The Board will act on the assumption that a notice served on a registered attorney at an address notified to the Board under paragraph (5)(b) has been received by the registered attorney.

## 12 Competency

A registered attorney who is an individual must have appropriate competency for work he or she does.

Example: Examples of work that must not be done unless the registered attorney possesses suitable competency for the specific task are:

- (a) work relating to a field of science or technology with which the registered attorney is unfamiliar; and
- (b) work in an area outside the registered attorney's primary practice area (such as work in relation to patents if he or she has practised only in the area of trade marks).

Note: This section relates to a registered attorney who is an individual, whether the attorney works on his or her own or in a larger organisation.

## 13 Information for new or prospective clients

- (1) Before a registered attorney who is an individual does work for a new or prospective client, the registered attorney must ensure that the new or prospective client is given written advice that the registered attorney:
  - (a) is registered; and
  - (b) has appropriate competency, including by drawing on technical expertise; and
  - (c) is bound by this code.

Note: Under section 12, a registered attorney who is an individual must have appropriate competency for work he or she does.

- (2) Before a registered attorney who is an individual does work for a new or prospective client, the registered attorney must ensure that the new or prospective client is given:
  - (a) a written estimate of the cost of doing particular work for the new or prospective client; and
  - (b) other written information about the implications of having the registered attorney do the work for the new or prospective client, in terms of procedures, cost and timing.

Note: Disclosure of this information will ensure that the new or prospective client is made aware of the likely costs of particular work that is necessary or recommended by the registered attorney.

- (3) A registered attorney is not required to comply with subsections (1) and (2) if:
  - (a) the client is represented by a foreign-registered attorney; and
  - (b) the registered attorney is dealing with the client by dealing with the foreign-registered attorney.
- (4) A registered attorney is not required to comply with subsections (1) and (2) if:
  - (a) the registered attorney has been requested to do work for the client by another registered attorney; and
  - (b) the other registered attorney continues to act for the client in the work.

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**14 Information and services for existing clients**

*New work outside previous arrangements*

- (1) Subsections (2) and (3) apply if:
  - (a) a registered attorney who is an individual is doing work for a client; and
  - (b) the client requests the registered attorney to do work (**new work**) that:
    - (i) is materially different from work the registered attorney has previously done for the client; or
    - (ii) requires competency that the registered attorney has not previously been required to apply for the client; or
    - (iii) makes a material difference to the cost or timing of work that the registered attorney is doing, or has done, for the client, or to procedures required to do that work.
- (2) The registered attorney must ensure that the client is given written advice that the registered attorney has appropriate competency for the new work, including by drawing on technical expertise.

Note: Under section 12, a registered attorney who is an individual must have appropriate competency for work he or she does.

- (3) Before the registered attorney does the new work for the client, the registered attorney must ensure that the client is given:
  - (a) a written estimate of the cost of doing the new work; and
  - (b) other written information about the implications of doing the new work, in terms of procedures, cost and timing.

Note: Disclosure of this information will ensure that the client is made aware of the likely costs of particular work that is necessary or recommended by the registered attorney.

*Draft specifications or applications*

- (4) A registered attorney who is an individual must ensure that the client is given an opportunity, if practicable, to view drafts of patent specifications prepared by the registered attorney for the client.
- (5) A registered attorney is not required to comply with subsections (1) to (4) if:
  - (a) the client is represented by a foreign-registered attorney; and
  - (b) the registered attorney is dealing with the client by dealing with the foreign-registered attorney.
- (6) A registered attorney is not required to comply with subsections (1) to (4) if:
  - (a) the registered attorney has been requested to do work for the client by another registered attorney; and
  - (b) the other registered attorney continues to act for the client in the work.

*Client property*

- (7) If a client asks a registered attorney to return or make available to the client a document, sample or other material:
  - (a) that is the client's property; or

- (b) to which the client may have access under an agreement between the registered attorney and the client; or
  - (c) in which the client has a legal or other interest that entitles the client to have access to the document, sample or material;
- the registered attorney must ensure that the document, sample or other material is returned or made available to the client.
- (8) However, a registered attorney is not required to comply with subsection (7) if the client has not satisfied a lien imposed in accordance with the *Patents Regulations 1991* or the *Trade Marks Regulations 1995*.

## 15 Conflict of interest

### *Dealing with separate parties to the same matter, etc.*

- (1) If a registered attorney does work for a client in a matter, the registered attorney may do work for, or provide other assistance to, another person who has a different or contrary interest in the matter only if:
- (a) the registered attorney's knowledge of the client or the matter would not prejudice the registered attorney's client or provide an unfair advantage to the other person in that matter; and
  - (b) the registered attorney's client and the other person agree to allow the registered attorney to do the work or provide the assistance; and
  - (c) it would not be contrary to a law to do the work or provide the assistance.
- Note: The effect of subsection (1) is that a registered attorney is generally not permitted to work for, or provide other assistance to, persons who have different or contrary interests in a matter unless the special circumstances set out in the subsection exist.
- (2) The registered attorney must not do work for, or provide other assistance to, the other person if subsection (1) does not apply.
- (3) If there is a dispute between 2 or more persons mentioned in subsection (1) in relation to the matter, the registered attorney must take steps, as soon as practicable, to resolve the conflict.

### *Avoidance of conflict*

- (4) A registered attorney who is an individual must avoid the creation of a conflict of interest between:
- (a) the interests of the registered attorney; and
  - (b) the interests of any current or former client.
- (5) For subsection (4), the interests of the registered attorney are all of the following:
- (a) the interests of the registered attorney;
  - (b) the interests of a member of the registered attorney's family;
  - (c) the interests of a dependent of the registered attorney who is not a member of the registered attorney's family;
  - (d) the interests of a friend of the registered attorney;
  - (e) the interests of a business partner or business associate (however described) of the registered attorney.

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### *Conflict that avoids prejudice*

- (6) If:
- (a) a registered attorney is instructed by a client or a prospective client to do work; and
  - (b) the registered attorney believes that:
    - (i) accepting the instructions may create a conflict of interest when or after the work would be done; and
    - (ii) a failure to do the work may result in prejudice to the client; and
    - (iii) it is not reasonably practicable for someone else to do the work;
- the registered attorney must accept the instructions, advise the client or prospective client of the potential conflict as soon as practicable, and resolve the conflict.

### *Personal interest in intellectual property right*

- (7) If:
- (a) a registered attorney owns an intellectual property right; and
  - (b) doing work for a client or a prospective client may create a conflict of interest in relation to the property right;
- the registered attorney must not do work for the client or prospective client unless the registered attorney discloses the ownership and the client or prospective client agrees to allow the registered attorney to do the work.

### *Resolution of conflict*

- (8) If a registered attorney discovers a conflict of interest, or a potential conflict of interest, between:
- (a) a registered attorney and a client; or
  - (b) 2 or more persons who have different or contrary interests in a matter;
- the registered attorney must take steps, as soon as practicable, to resolve the conflict or potential conflict.
- (9) If the rights of a client or another person may be put at risk by the registered attorney complying with subsection (8), the registered attorney must take steps, as soon as practicable, to maintain those rights before resolving the conflict or potential conflict.

## **16 Acting on instructions**

A registered attorney must:

- (a) act promptly on the instructions of a client or a prospective client; or
- (b) inform the client or prospective client promptly of the registered attorney's inability to do so.

## **17 Honesty of statements and documents**

- (1) A registered attorney:

- (a) must be open and frank in dealing with a regulatory authority, subject only to the registered attorney's duty to the registered attorney's clients; and
  - (b) must not knowingly make a false or misleading statement in relation to work done for a client or a prospective client; and
  - (c) must not prepare, or assist in the preparation of, a document in relation to a matter if the registered attorney knows, or ought reasonably to know, that the document contains a false or misleading statement; and
  - (d) must not file, or assist in the filing of, a document in relation to a matter if the registered attorney knows, or ought reasonably to know, that the document contains a false or misleading statement; and
  - (e) must not wilfully misrepresent facts or otherwise mislead another person in relation to a matter.
- (2) The instructions given by a client are not automatically a defence of, or an explanation for, the way a registered attorney acts for the client.

Note: A registered attorney is likely to have to choose the way in which material such as a specification, application or evidence is best prepared in the interests of the client. The registered attorney's obligation, having regard to all of the registered attorney's obligations under this code, is to explain the implications adequately to the client and represent the client in the most diligent way possible but without perpetuating a falsehood or knowingly making a statement which is misleading.

## **18 Payments and funds**

- (1) A registered attorney must ensure that a cost, official fee or debt is paid in a timely manner after the registered attorney's client has given the relevant amount to the registered attorney.
- (2) A registered attorney must ensure that the funds of a client are kept and accounted for using an accounting standard that is appropriate to the circumstances of the registered attorney's practice.
- (3) A registered attorney must use money paid by a client only:
  - (a) for the purposes for which the client paid the money; or
  - (b) in accordance with any instructions given by the client before, during or after the payment of the money.
- (4) A registered attorney must, as soon as practicable, give a client any refund due to the client.

## **19 Use of information**

- (1) A registered attorney must not use the registered attorney's position as a registered attorney to take advantage of:
  - (a) information given by a client, or a prospective client, for the registered attorney's own benefit or on behalf of another person; or
  - (b) information given by another person, in relation to the matter for which the client has engaged the registered attorney, for the registered attorney's own benefit or on behalf of another person; or

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- (c) circumstances resulting from a professional relationship with a client, or a prospective client, for the registered attorney's own benefit or on behalf of another person.
- (2) A registered attorney must not use or disclose confidential information which the registered attorney has obtained from or on behalf of:
- (a) a former, current or prospective client; or
  - (b) another registered attorney; or
  - (c) any other person; or
  - (d) a company:
    - (i) which is a client; and
    - (ii) of which the registered attorney is, or has been, a director, officer or shareholder;
- unless the confidentiality is no longer applicable.

Example: The following are examples of when confidentiality is no longer applicable:

- (a) the registered attorney has been released from the obligation not to disclose the information;
- (b) the information has been lawfully published.

## 20 Withdrawal of services

If a registered attorney withdraws the registered attorney's services, or ceases to act for a client, the registered attorney must inform the client of any actions necessary to maintain the client's intellectual property rights.

## 21 Supervision of associated persons

- (1) A registered attorney is responsible for the work, acts and defaults of an associated person unless:
- (a) the associated person:
    - (i) is a foreign-registered attorney; and
    - (ii) is outside Australia when the work, act or default occurs; or
  - (b) the Board is satisfied that:
    - (i) the associated person is not mentioned in paragraph (a); and
    - (ii) it is appropriate to treat someone else as being responsible for the associated person's work, acts and defaults.
- (2) The Board will control the professional conduct of registered attorneys, and the practice of the professions, on the basis stated in subsection (1) even if the registered attorney works under a management structure that includes other persons.
- (3) If a registered attorney wishes to claim that the registered attorney is not responsible for the work, acts and defaults of a particular associated person, the Board will require the registered attorney to demonstrate this to the Board's satisfaction.
- (4) Subsection (5) applies if:
- (a) an associated person does work for a registered attorney; and

- (b) the work is not clerical or administrative work.
- (5) The registered attorney must ensure that:
  - (a) the associated person has appropriate competency for the work; and
  - (b) if the associated person is unregistered—the client is informed, as soon as practicable, that the associated person is unregistered.

## **22 Additional obligations of directors**

- (1) This section applies to:
  - (a) a patent attorney director in the capacity of a patent attorney director; and
  - (b) a trade marks attorney director in the capacity of a trade marks attorney director.
- (2) A director is responsible for the director's work, acts and defaults as a director.
- (3) A director is responsible for the work, acts and defaults of each staff attorney unless the Board is satisfied, in a particular case, that it is appropriate to treat someone else as being responsible for the work, acts and defaults of the staff attorney.
- (4) A director is responsible for the work, acts and defaults of each associated person unless:
  - (a) the associated person:
    - (i) is a foreign-registered attorney; and
    - (ii) is outside Australia when the work, act or default occurs; or
  - (b) the Board is satisfied that:
    - (i) the associated person is not mentioned in paragraph (a); and
    - (ii) it is appropriate to treat someone else as being responsible for the associated person's work, acts and defaults.
- (5) The Board will control the professional conduct of registered attorneys, and the practice of the professions, on the basis stated in subsections (3) and (4) even if the director's incorporated attorney has a management structure that includes other persons.
- (6) If a director wishes to claim that the director is not responsible for the work, acts and defaults of a particular staff attorney or associated person, the Board will require the director to demonstrate this to the Board's satisfaction.

## **23 Additional obligations of incorporated attorneys**

- (1) This section applies to:
  - (a) an incorporated patent attorney; and
  - (b) an incorporated trade marks attorney.
- (2) An incorporated attorney is responsible for its work, acts and defaults as an incorporated attorney.
- (3) An incorporated attorney is responsible for the work, acts and defaults of:

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(a) each director; and

(b) each staff attorney;

unless the Board is satisfied, in a particular case, that it is appropriate to treat someone else as being responsible for the work, acts and defaults of the director or staff attorney.

(4) An incorporated attorney is responsible for the work, acts and defaults of each associated person unless:

(a) the associated person:

(i) is a foreign-registered attorney; and

(ii) is outside Australia when the work, act or default occurs; or

(b) the Board is satisfied that:

(i) the associated person is not mentioned in paragraph (a); and

(ii) it is appropriate to treat someone else as being responsible for the associated person's work, acts and defaults.

(5) The Board will control the professional conduct of incorporated attorneys, and the practice of the professions, on the basis stated in subsections (3) and (4) even if the incorporated attorney has a management structure that includes other persons.

(6) If the incorporated attorney wishes to claim that the incorporated attorney is not responsible for the work, acts and defaults of a particular director, staff attorney or associated person, the Board will require the incorporated attorney to demonstrate this to the Board's satisfaction.

(7) The incorporated attorney must ensure that:

(a) each director; and

(b) each staff attorney; and

(c) each associated person who is a registered attorney;

acts as a registered attorney in accordance with the requirements in this Part.

## **Part 4—Information about complaints against registered attorneys**

### **24 Information**

- (1) The Board has the sole responsibility for commencing and conducting disciplinary proceedings against a registered attorney.

Note: Part 8 of Chapter 20, and Part 5 of Chapter 20A, of the *Patents Regulations 1991* explain the grounds on which the Board may commence disciplinary proceedings. Those Parts also explain concepts such as:

- (a) professional misconduct; and
- (b) unsatisfactory professional conduct.

Division 6 of Part 20, and Division 5 of Part 20A, of the *Trade Marks Regulations 1995* make the same arrangements.

- (2) The Board can take on this role as a result of information it receives or on its own initiative.
- (3) The Board may commence proceedings before the Patent and Trade Marks Attorneys Disciplinary Tribunal against a registered attorney who is an individual if the Board is satisfied that there is a reasonable likelihood of that registered attorney being found guilty of unsatisfactory professional conduct. The Board is required to commence proceedings if the Board is satisfied that there is a reasonable likelihood of that registered attorney being found guilty of professional misconduct.
- (4) The Board may apply to the Patent and Trade Marks Attorneys Disciplinary Tribunal to cancel or suspend the registration of an incorporated patent attorney or an incorporated trade marks attorney.

Note: Regulation 20A.10 of the *Patents Regulations 1991* and regulation 20A.10 of the *Trade Marks Regulations* explain the grounds on which the Board may make an application and the procedures applicable to an application.

- (5) A person or body may make a complaint to the Board, or provide information to the Board, about the conduct of a registered attorney.
- (6) A registered attorney must not:
- (a) make a complaint to the Board, or provide information to the Board, under subsection (5) for an improper purpose; or
  - (b) threaten to make a complaint to the Board, or provide information to the Board, for an improper purpose.
- (7) The Board would generally expect a client or former client of a registered attorney to:
- (a) discuss a grievance with the registered attorney, to attempt a settlement, before making a complaint or providing information to the Board; and
  - (b) inform the Board, when making a complaint or providing information, of discussions with the registered attorney and attempts to settle the matter with the registered attorney.

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Note: The Board recognises that there are cases where it would be impossible or inappropriate for a client or former client to contact the registered attorney first.

- (8) The Board may issue disciplinary guidelines relating to registered patent attorneys and registered trade marks attorneys.

Note: See <http://www.psb.gov.au>.

## Part 5—Administration

### 25 Information

- (1) The Board is responsible for:
- (a) publicising this code to ensure widespread awareness of its purpose and provisions; and
  - (b) implementing measures to ensure that registered attorneys are aware of this code's purpose and provisions; and
  - (c) conducting periodic reviews of this code's effectiveness, and of the procedures in this code, with a view to possible changes; and
  - (d) preparing annual and other reports relating to this code.
- (2) This code is a legislative instrument for the purposes of the *Legislative Instruments Act 2003* and is available on the ComLaw website (<http://www.comlaw.gov.au>).
- (3) This code is also available on the Board's website (<http://www.psb.gov.au>).
- (4) This code is also available from:
- The Secretary
  - Professional Standards Board for Patent and Trade Marks Attorneys
  - PO Box 200
  - WODEN ACT 2606
- (5) The Board's telephone number is available on the Board's website (<http://www.psb.gov.au>).

## **Schedule 1—Repeals**

### **1 *Intellectual Property (Standards of Practice) Instrument 2013 (No. 1)***

Repeal the instrument.