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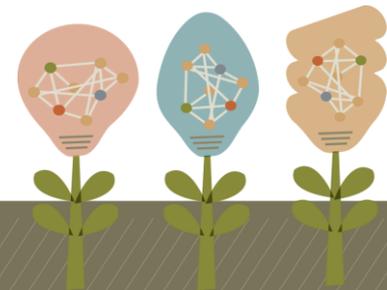


**Subject Matter Conflicts –
The Next Wave in IP Malpractice Claims?
How to spot the potential conflict and
deal with it proactively.**

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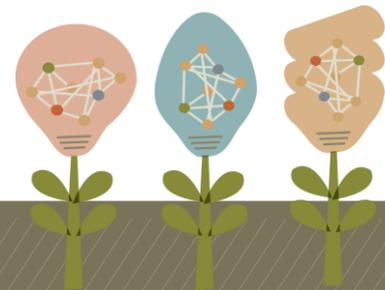
Subject Matter Conflict Defined

- What is subject matter conflict?
 - A potential conflict arises when the subject matter of a representation for one client is similar to the subject matter of a representation for another client and such similarity inhibits the attorney's ability to fully and properly represent both clients.
- Non-IP Context
 - Two clients about to make public offerings in same field?
 - Two clients responding to the same RFP?
- IP Context
 - Patent Prosecution?
 - Trademark Prosecution?
 - Trade secret?



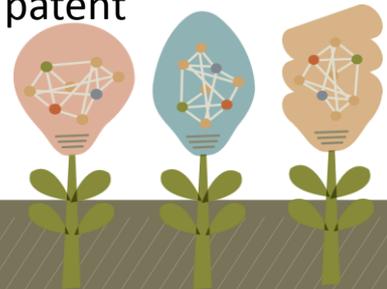
Subject Matter Conflict Defined

- Patent Representation Complications
 - IDS/Duty of Candor
 - Responding to Office Actions
 - Timing of Filings (first to file, first to issue)
 - Practical Effect Based on Value of IP



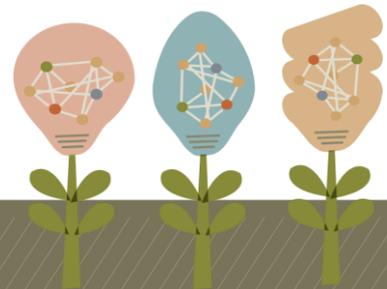
Subject Matter Conflict Defined

- 1. You are approached by Company B which asks you to prosecute a patent for a new widget that may compete with a widget manufactured by Company A. Should you undertake the representation of Company B in each of the following situations?
- a) Company A is a client of your firm, and your firm is currently prosecuting a patent application for Company A's widget.
- b) Your firm successfully prosecuted a patent application for Company A's widget three years ago, and has no further responsibilities with respect to that patent. However, your firm continues to do other IP work for Company A.
- c) Your firm successfully prosecuted a patent application for Company A's widget three years ago. Company A is no longer a client of your firm, and all of the lawyers who worked on Company A's matters have left the firm, taking Company A's files with them.
- d) Your firm represents Company A only in tax matters. Another law firm handles Company A's IP work and is currently prosecuting a patent application for Company A's widget. Your firm has no knowledge about Company A's patent portfolio other than what is available to the public.



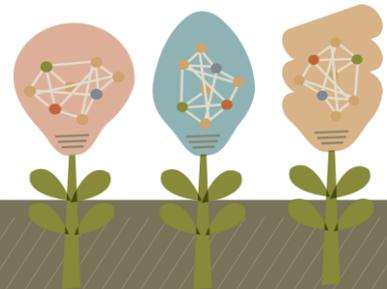
Subject Matter Conflict Defined

2. A slight twist on hypothetical 1, Company B is an existing client for which your firm has in the past done non-widget related patent work. Company B sends you a new disclosure on widget technology that looks very similar to the widget technology of Company A. Company B instructs you to draft a patent application for them on their new widget disclosure. Does this change situations a) through d)?



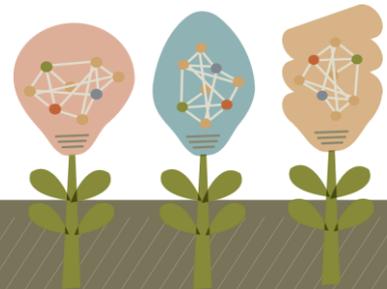
Subject Matter Conflict Defined

3. Your firm is prosecuting a patent application for Company C's new widget. In an Office Action, the USPTO cites a patent that is owned by another firm client, Company D, as prior art. What, if anything, should you do? What, if anything, should you tell each of the firm clients?



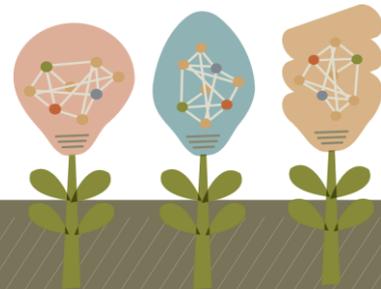
Subject Matter Conflict Defined

4. You are prosecuting a patent application for firm client Company X when you realize that another application filed for firm client Company Y is relevant prior art that should be disclosed to the USPTO. The only reason you are aware of the Company Y art is because you wrote their application. Do you disclose the art to the USPTO? What action, if any, do you need to take with either client? Do your answers change if the Company Y art has been published?



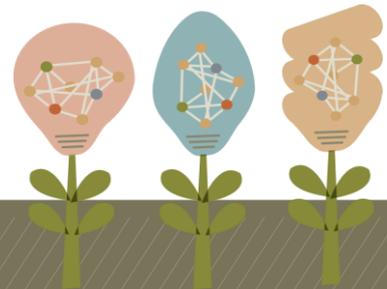
Subject Matter Conflict Defined

5. You have been asked to file a trademark for company X on the mark “Mini Apple Chardonnay.” Company Y has an existing registration on the mark “Mini Apple Brandy.” If your firm represents Y in trademark matters, and X is a potential client, do you take on the X representation? What do you do if X and Y are existing trademark clients? Does it matter if Y is a firm client but another firm does their trademark work? How do you deal with this situation if your first actual knowledge of the conflict occurs when the USPTO cites “Mini Apple Brandy” against your application for “Mini Apple Chardonnay”?



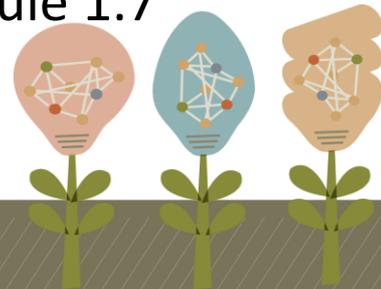
Subject Matter Conflict Defined

6. You represented company A in developing their trade secret protection program working primarily with their Senior VP for Technology, Angela Jones. Ms. Jones contacts you two year later. She now works for company B, a competitor of company A. She was so impressed with the program you put together for company A that she wants you to develop an identical program for company B, at hopefully a lower cost since you won't have to reinvent the wheel. Do you take the representation? Does it matter if you still do work for company A or not?



Subject Matter Conflict Defined

- USPTO Rules of Professional Conduct
 - § 11.107 Conflict of interest; Current clients.
 - a) Except as provided in paragraph (b) of this section, a practitioner shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:
 - (1) The representation of one client will be directly adverse to another client; or
 - (2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person or by a personal interest of the practitioner.
- Corresponds to ABA Model Rule 1.7 and Minnesota Rule 1.7
- Comments not very helpful

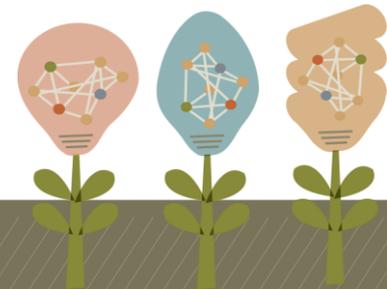


Subject Matter Conflict Defined

- Texas Rules Comments

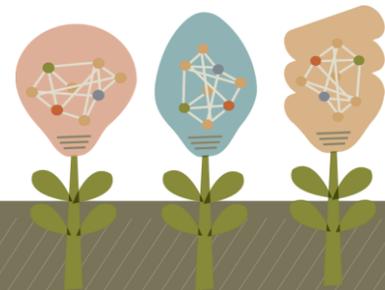
Meaning of Directly Adverse

6. Within the meaning of Rule 1.06(b), the representation of one client is “directly adverse” to the representation of another client if the lawyer’s independent judgment on behalf of a client or the lawyer’s ability or willingness to consider, recommend or carry out a course of action will be or is reasonably likely to be adversely affected by the lawyer’s representation of, or responsibilities to, the other client. The dual representation also is directly adverse if the lawyer reasonably appears to be called upon to espouse adverse positions in the same matter or a related matter. On the other hand, simultaneous representation in unrelated matters of clients whose interests are only generally adverse, such as competing economic enterprises, does not constitute the representation of directly adverse interests. Even when neither paragraph (a) nor (b) is applicable, a lawyer should realize that a business rivalry or personal differences between two clients or potential clients may be so important to one or both that one or the other would consider it contrary to its interests to have the same lawyer as its rival even in unrelated matters; and in those situations a wise lawyer would forego the dual representation.



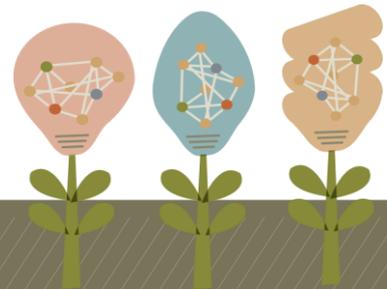
Setting the State Court Stage

- Gunn v. Minton
 - Patentee (Minton) files suit in Federal District Court represented by Gunn
 - Patent found invalid due to on sale time bar
 - Experimental use exception not timely raised
 - Minton sues Gunn in Texas State Court for malpractice
 - Minton loses on SJ and appeals claiming State Court (his chosen forum) has no jurisdiction.
 - Texas Supreme Court agrees and case goes to US Supreme Court



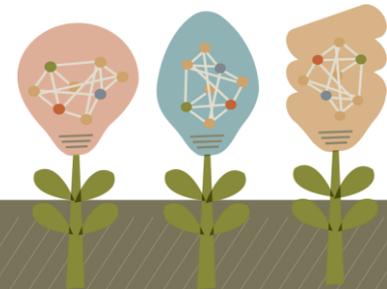
Setting the State Court Stage

- Issue
 - “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents.”
28 USC § 1338(a)
- US Supreme Court Decision
 - Texas Supreme Court reversed in unanimous decision
 - “[w]e are comfortable concluding that state legal malpractice claims based on underlying patent matters rarely, if ever, arise under federal patent Law for purposes of § 1338(a).”



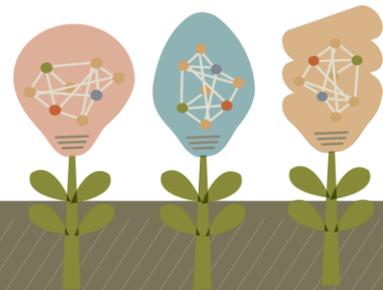
Anatomy of a Lawsuit

- Access International v. Baker Botts
 - Baker Botts
 - Full Service firm
 - 700+ lawyers
 - 15 office worldwide
 - Access International
 - Firm RFID prosecution client
 - Savi Group
 - Firm RFID prosecution client



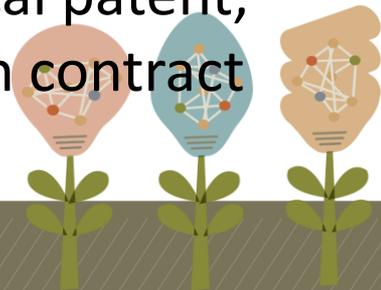
Anatomy of a Lawsuit

- Savi awarded \$500 million contract based on RFID technology
- Axxess sues Baker Botts for malpractice claiming firm should never have represented both clients, particularly after notice of Axxess request for assistance to license to Savi.
- Suit proceeds in Dallas County Court
- Texas law malpractice claim
 - Breach of fiduciary duty
 - Negligence



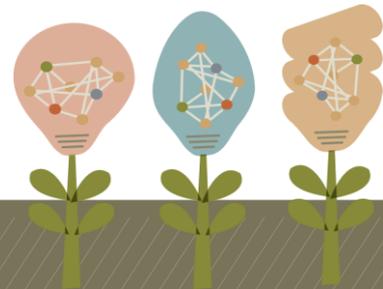
Anatomy of a Lawsuit

- Results
 - Judge dismisses fiduciary duty claim
 - Jury finds negligence
 - Damages awarded at \$40 million
 - Case dismissed on statute of limitations
 - Case on Appeal
- Theory of Negligence
 - Firm knew of conflict
 - Firm didn't tell Axxess
 - Filed IDS after allowance and not RCE on critical patent, thus allowing Savi to win contract \$500 million contract



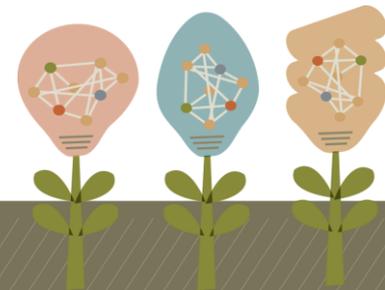
Anatomy of a Lawsuit

- Take aways
 - Case brought in state court
 - Negligence case made it to the jury
 - Still no court finding such facts breach of ethical duty
 - Unlikely to be clarified on appeal
- Lots of press
 - \$40 million verdict
 - Common fact situation in IP law



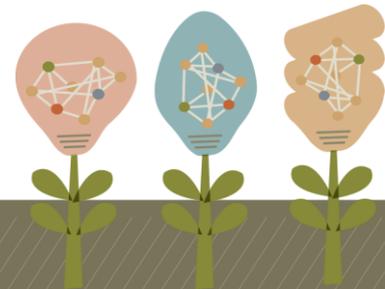
Spotting the Issue in Advance

- Conflicts checks
 - Party
 - Technology subject
 - Potential subject matter competitors
- Key word searches
 - Party
 - Key technology words
 - Potential subject matter competitors
- Frequency of checks
 - Client vs. matters?



Soliciting the Client's Assistance

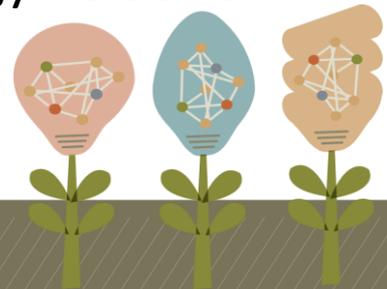
- Retainer letter language
 - Identify the issue
 - Identify competitors up front
 - Update & list in writing
 - Monitor patent publication
 - Tell us, tell us, please tell us



Soliciting the Client's Assistance

- Identify the issue

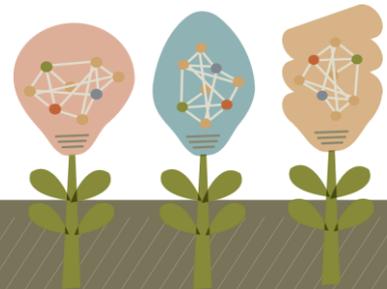
It is not unusual for a patent firm of our size to have existing firm clients with patent applications and issued patents in the same or similar-field of technology. It is possible that we may now, or might in the future, have patent applications we are handling for other firm clients that could potentially relate to the technology involved in patent applications that we might handle for you. In such an instance, as long as we reasonably believe that our representation of both SHORTENED COMPANY NAME and/or the other client will not be adversely limited, we do not view a concurrent representation of clients in the same or similar technology fields as a breach of our duty to any of the clients involved.



Soliciting the Client's Assistance

- Identify competitors up front

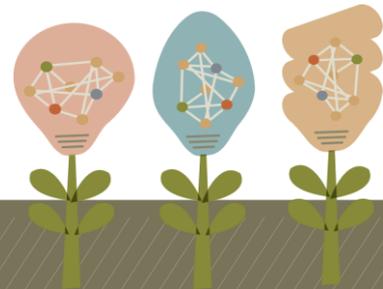
We are sensitive to the business issues that concurrent representations might raise. Before signing this letter, please identify to us any third parties that you know of that we should not represent if we are to undertake representing you so that we can discuss the potential conflict.



Soliciting the Client's Assistance

- Update & list in writing

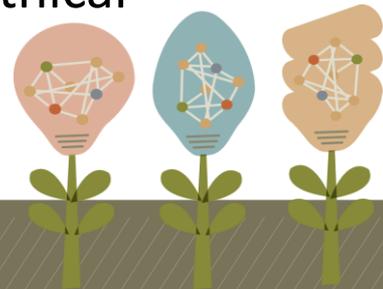
If you believe that our concurrent representation of any third party entity that you have not already identified to us as a competitor would be prejudicial to SHORTENED COMPANY NAME at any time during our representation, please identify such third party to us in writing, with an explanation of the concern that you might have. We will then be able to address your concern and take such steps as necessary to comply with our ethical duties.



Soliciting the Client's Assistance

- Monitor patent publication

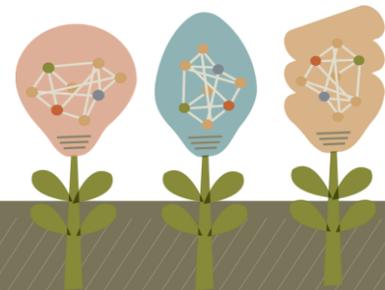
You should also know that patent applications generally publish eighteen months after they are filed. These publications identify on the front page the patent firm that is handling each published application. We encourage you to monitor patent publications in your technology field. If you see any application publish from a third party competitor, or a party of concern to you, with our firm identified as the prosecuting firm, please contact us in writing immediately so that we can conduct a review and take any steps that might be necessary to ensure our compliance with ethical responsibilities.



Soliciting the Client's Assistance

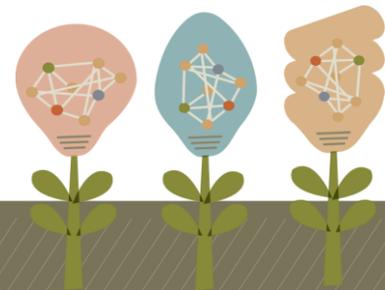
- Tell us, tell us, tell us

In the rapidly changing business environment, we encourage you to keep us apprised of your competitive position with regard to your technology, your competitors' technology and your business, so that we can effectively and ethically represent SHORTENED COMPANY NAME in patent matters.



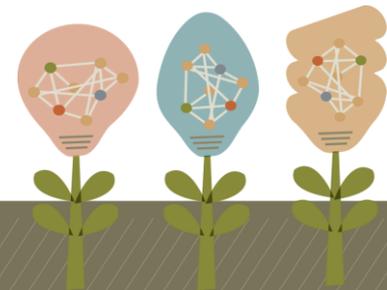
Soliciting the Client's Assistance

- Subject matter conflict letter to existing clients
 - Identify the issue
 - Send us list in writing
 - Monitor patent publication
 - Tell us, tell us, please tell us



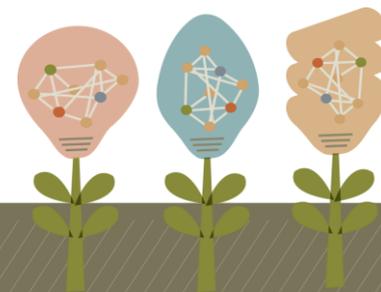
What to do if Issue is Spotted

- Safe Harbors
 - Withdraw from both clients
 - Consent from both clients
- Helpful Facts
 - Withdraw from one client
 - Consent from adversely effected client
 - Open communication with clients
 - No actual cross-pollination
 - De facto Chinese Wall
 - Intentional Chinese Wall cuts both ways



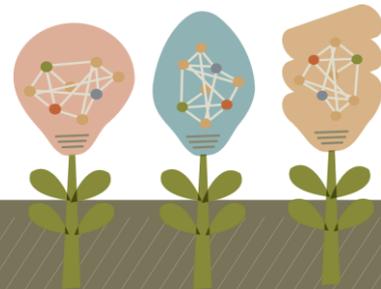
AIA Complications

- First to file
- Address in retainer
 - Warn about AIA first to file
 - Offer expedited billing option



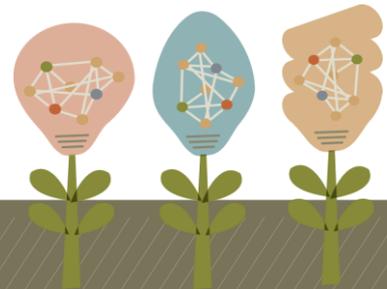
AIA Complications

Our firm normally handles incoming patent application preparation in the order that each application is received and accepted as an assignment by one of our attorneys. Depending on the number of applications already pending before that assigned attorney on any given date, this practice of chronological sequencing may result in a delay in getting a first draft of the application to you because the attorney may not be immediately available to begin work on the assignment. Although our application sequencing process works very well for most clients, some clients choose to move out of chronological sequence and expedite application drafting by agreeing to pay the “expedited application drafting rate” in our current rate sheet, which will be provided upon request. Unless you request expedited drafting in writing, your patent application(s) will be placed in chronological sequence and prepared according to our normal application drafting and timeline procedures.



Defensive Measures

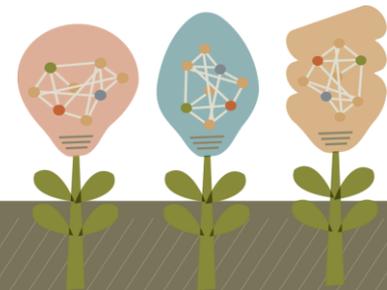
- Retainer Letter
 - Raise the issue
 - Solicit clients assistance
 - Two tier billing
 - Arbitration



Defensive Measures

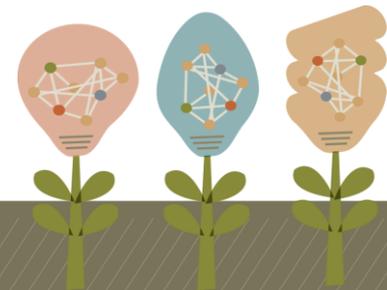
ARBITRATION AGREEMENT

THIS AGREEMENT IS ENTERED INTO AND SHALL BE PERFORMED BY THE FIRM IN DALLAS, TEXAS, AND IT SHALL BE INTERPRETED IN ACCORDANCE WITH TEXAS LAW. ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION, ENFORCEMENT, INTERPRETATION OR VALIDITY THEREOF, INCLUDING THE DETERMINATION OF THE SCOPE OR APPLICABILITY OF THIS AGREEMENT TO ARBITRATE, SHALL BE DETERMINED BY ARBITRATION IN DALLAS, TEXAS BEFORE A PANEL OF THREE ARBITRATORS. IN ACCORDANCE WITH STATE BAR OF TEXAS FAIR PRACTICE GUIDELINES FOR ARBITRATION, INCORPORATED HEREIN BY REFERENCE, THE ARBITRATORS SHALL BE NEUTRAL AND INDEPENDENT. EACH PARTY SHALL SELECT ONE ARBITRATOR AND THE SELECTED TWO SHALL SELECT A THIRD. **IF THE DISPUTE CONCERNS A PATENT MATTER, THEN THE PARTIES SHALL EACH SELECT AN ARBITRATOR WHO IS A LICENSED MEMBER OF THE US PATENT BAR. THE SELECTED ARBITRATORS SHALL SELECT A CHAIR OF THE PANEL WHO SHALL BE A LICENSED MEMBER OF THE US PATENT BAR WITH AT LEAST FIFTEEN YEARS OF EXPERIENCE IN PATENT LITIGATION.** THE ARBITRATION SHALL BE ADMINISTERED IN ACCORDANCE WITH THE AMERICAN ARBITRATION ASSOCIATION. JUDGMENT MAY BE ENTERED IN THE APPROPRIATE DALLAS COUNTY COURT, AND MAY BE FILED UNDER SEAL. THIS CLAUSE SHALL NOT PRECLUDE PARTIES FROM SEEKING PROVISIONAL REMEDIES IN AID OF ARBITRATION FROM A COURT OF APPROPRIATE JURISDICTION.



What the Future Holds

- Expect More suits
- State law issue, so no uniform clarity
- Think about future choice of law provision
- Issue could affect large practices and specialists



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