

THE DUTY OF CONFIDENTIALITY SHALL BE PRESERVED IN PATENT PROSECUTION TO FOSTER A MORE EFFECTIVE AND EFFICIENT PATENT SYSTEM

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ABSTRACT

During prosecution, patent attorneys must follow the Patent and Trademark Office (“PTO”) Code of Professional Responsibility (“the PTO Rules”), which governs practice in front of the PTO; and the state’s professional rules, which governs any attorney licensed to practice law within that state, and would also include attorneys practicing all forms of patent law, including patent prosecution. Therefore, during patent prosecution, patent attorneys confront a mixture of federal and state ethical principles.

A conflict arises in the following fact scenario, which will be discussed throughout this thesis: Patent Attorney is representing Clients A and B in close industries, and realizes that one piece of non-material but confidential information from Client A is material to Client B’s application. Should Patent Attorney disclose such information to the PTO under the duty of candor, or not disclose such information based on the duty of confidentiality under state professional rule? That is, which rules prevails in the patent prosecution setting? This thesis articulates that to ensure the efficiency of the patent prosecution system, and that the ultimately issued patents meet the requirements of novelty and non-obviousness, without the threat of hidden prior art, duty of confidentiality shall supersede the duty of candor.

Part I of the thesis introduces the patent prosecution system, the duty of candor, and the duty of confidentiality under the PTO Rules. Part II discusses state professional rules, and case laws regarding whether attorney-client privilege applies to patent prosecution. Part III provides arguments that the policies behind preserving client confidentiality, the preemptive scope of the duty of candor, the vested interest of states to enforce legal professional rules to protect the interest of clients, and the lack of conflict with patent principles mandates a conclusion that enforcement of state privilege/confidentiality rules is not preempted by federal patent law. Last,

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Part IV discusses how the practicing attorneys in the real world address this issue. The avenues available shows that there is no perfect resolution, and oftentimes attorneys have to make a business, rather than a legal, decision.

Keywords: Duty of confidentiality, duty of candor, code of professional responsibility, patent prosecution, attorney-client privilege



I. Introduction: The Patent System and PTO Ethical Rules

A. The Patent System

1. Patent Law Requires Disclosure to Fulfill Constitutional Goal

Article I, Section 8 of the Constitution provides the basis for the patent system.¹ Clause 8 establishes the constitutional basis for the Patent Act, which legally enforces, for a period of twenty years after the date of application, the right to exclude others from making, using, and selling the patented invention.² To ensure that the invention truly deserves the monopoly and can be used by persons having ordinary skills in the art to utilize such invention after the patent expires, the patent law mandates that the inventors fulfill the statutory requirements of subject matter, utility, novelty, non-obviousness and enablement.³

2. The Mechanics of Patent Prosecution

Patent prosecution is the administrative proceeding before the PTO to procure a patent. It starts with filing a patent application that claims the particular aspects of the invention for which patent protection is sought.⁴ All material information that may be relevant to the patentability of such invention must be submitted to the PTO with the application. The patent examiner reviews the application according to the statutory requirements and responds the applicant with an office action. If the office action is favorable, the patent proceeds to issuance. If the office action is adverse, the patent attorney either can abandon the application or proceed with prosecution. Examination usually is considered an ex parte proceeding so the patentability of the invention is exclusively determined by the PTO, with the aid of the applicant, at least before the patent is issued.⁵

B. Ethical Duties under the PTO Rules

1. The Duty of Candor

Section 1.56 of the PTO Rules (“Rule 56”), which is also called the “Duty of Candor,” is the most controversial PTO Rule.⁶ Under Rule 56, each individual substantially involved in the preparation and prosecution of a patent application has a duty to disclose to the PTO all information known to

¹ The Congress is given the power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries. U.S. CONST. art. I, § 8, cl. 8.

² 35 U.S.C. § 154 (2002).

³ 35 U.S.C. §§ 101-103 (2002).

⁴ DONALD CHISUM & MICHAEL JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW 2-17 to 2-18 (1992).

⁵ 37 C.F.R. § 1.133(a) (2005).

⁶ 37 C.F.R. § 1.56(a) (2000).



that individual to be material to patentability. The PTO Rules establishes two tests for materiality. First, information is material if it is not cumulative⁷ and establishes a prima facie case of unpatentability⁸ before the introduction of rebuttal information. Second, information is material if it is not cumulative and is inconsistent with a position taken by the applicant before the PTO.⁹ The duty of candor starts with the filing of the patent application and continues throughout the prosecution process until the patent issues.¹⁰

The enforcement of the duty of candor by the PTO is primarily restricted to disciplinary action against practitioners. Although Rule 56 states that the PTO will not issue patents pursued fraudulently¹¹, courts already take over the job of striking patent applications because the courts are a better forum for determining the necessary element of intent.¹² The PTO, however, reserves the right to strike applications in extreme violations.¹³

Several reasons justify that burdening the applicants with the duty of candor is beneficial to the patent system. First, a patent affects public interest severely because it confers monopoly.¹⁴ Such exclusive right creates great economic impact if the patent is procured fraudulently. The duty of candor ensures that the PTO considers all material information and avoids granting a monopoly mistakenly.¹⁵ Second, without the duty of candor, there is no incentive for the applicant to disclose unfavorable information. For example, the applicant may be the sole source of information of the “on-sale” and “in-use” statutory bars¹⁶ and the examiner cannot compel production without the duty of candor. The duty of candor is necessary for the PTO to obtain a complete background of the invention. Third, facing an increasing volume of applications, the PTO has to rely on the applicant to provide material information to be used to examine the application, therefore to relieve the PTO of the duty of conducting extensive prior art searches.¹⁷ The duty of candor thus helps maintain an efficient patent system.

⁷ 37 C.F.R. § 1.56(b) (2000). Information is cumulative if it is substantially the same as information already in the record or being made of record in connection with the patent application. *See* 57 Fed. Reg. 2022 (1992).

⁸ 37 C.F.R. § 1.56(b)(1) (2000).

⁹ 37 C.F.R. § 1.56(b)(2) (2000).

¹⁰ 37 C.F.R. § 1.56(a) (2000).

¹¹ *Id.*

¹² *See* DONALD S. CHISUM, PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 11.03 (1996).

¹³ *See* 56 Fed. Reg. 37,323.

¹⁴ A patent gives the inventor the “exclusive right” to make, use, or sell the invention in the United States. *See* 35 U.S.C. § 271(a) (2010).

¹⁵ 37 C.F.R. § 1.56(a) (2000).

¹⁶ 35 U.S.C § 102 (2002).

¹⁷ *See* Beckman Instruments, Inc. v. Chemtronics, Inc., 428 F.2d 555, 564-65 (5th Cir.



2. The Duty of Confidentiality

Despite requiring the applicants to submit material information, the PTO provides client confidentiality preservation.¹⁸ Further, PTO Rule 10.57 mirrors the Model Rules of Professional Conduct (“Model Rules”) and prohibits disclosure of confidences¹⁹ or use of such matter to the disadvantage of a client without consent and full disclosure to the client, with an exception when disclosure is permitted under the rules or required by law or court order.²⁰

The policy behind the PTO’s confidentiality requirement, which is the same as the Model Rules’, is to promote full freedom for disclosure by the client to the attorney and to assure clients that their attorney “will represent them with undivided loyalty.”²¹ Without full disclosure, the attorney is unable to define an accurate scope of the claimed invention, which is essential to give the client the broadest possible scope of protection.²²

II. The Model Rules and State Professional Rules

A. Duty of Confidentiality is an All-Encompassing Professional Conduct

The duty of confidentiality prevents a lawyer from revealing information relating to representation of a client unless the client consents after consultation.²³ Thus, a patent attorney, who is also a law practitioner, has an obligation to maintain the confidentiality of each client's patent file. Here is where the fact scenario arises, i.e., should Patent Attorney disclose a piece of confidential information of Client A, which is material to Client B’s application, to the PTO under the duty of candor, or not disclose such information according to the duty of confidentiality.

Practitioners look to the PTO Rules for solution but only find that the PTO allows them to reveal client confidences with the consent of the client, when permitted under disciplinary rules, or when required by law or court order.²⁴ Further, the PTO specifies that nothing in the PTO Rules shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the PTO to accomplish its federal

1970).

¹⁸ Canon 4 specifies that a practitioner should preserve the confidences and secrets of a client. *See* 37 C.F.R. § 10.56 (2000).

¹⁹ Confidence is defined as information protected by the attorney-client privilege under applicable law. *See* 37 C.F.R. § 10.57(a) (2000).

²⁰ 37 C.F.R. § 10.57(b) (2000).

²¹ CHARLES W. WOLFRAM, *MODERN LEGAL ETHICS* § 7.1.3 (Practitioners ed. 1986).

²² *See In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 806 (Fed. Cir. 2000).

²³ MODEL RULES OF PROF’L CONDUCT R. 1.6 (2006).

²⁴ 37 C.F.R. § 10.57(c)(1)-(2) (2000).



objectives.²⁵ Such lack of clear guidance has drawn courts' attention and efforts to resolve the issue.²⁶

B. The Conflicting Precedents

Some courts tried to resolve the issue by simply rejecting the application of the privileges under the state professional rules to patent prosecution. Although not explicitly rejected, such theory has become the minority.

1. The *Jack Winter* Line of Cases

In *Jack Winter, Inc. v. Koratron Co.*, the court found that the attorney-client privilege failed to apply in patent prosecution because the inventor could not have intended the communication to remain confidential due to the patent attorney's absolute duty of disclosure to the PTO.²⁷ The case involves a patent infringement, in which the defendant argued that the patent was obtained by fraud. Defendant deposed the plaintiff's attorney but he refused to answer, claiming that the information was privileged. The court reasoned that due to the duty of candor, the attorney could not exercise discretion in deciding what information in his possession would be disclosed to the PTO. The attorney's role is solely a conduit for passing information to the PTO and therefore the privilege does not attach to the communication.²⁸ Some courts have expressly followed the *Jack Winter* cases and have held patent documents unprotected under the attorney-client privilege.²⁹

2. The *Knogo* Line of Cases

The court in *Knogo Corp. v. United States* criticized *Jack Winter*'s limited view of patent prosecution and held that the duty of candor is not absolute and privilege applies to information that is immaterial to the patentability of a client's invention.³⁰ The dispute in *Knogo* includes that various papers, some of which written by people other than the client, were used to prepare the patent application. The court found the documents protected by the attorney-client privilege,³¹ and that *Jack Winter*

²⁵ 37 C.F.R. § 10.1 (2000).

²⁶ See Todd M. Becker, *Attorney-Client Privilege Versus the PTO's Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 WASH. L. REV. 1035, 1047 (1996).

²⁷ *Jack Winter, Inc. v. Koratron Co.*, 166 U.S.P.Q. 295 (N.D. Cal. 1970).

²⁸ *Id.* at 298.

²⁹ See *Quantum Corp. v. W. Digital Corp.*, 15 U.S.P.Q.2d 1062 (N.D. Cal. 1990) (ordering production of draft application and transmittal letters); *Howes v. Medical Components, Inc.*, 7 U.S.P.Q.2d 1511 (E.D. Pa. 1988) (ordering production of draft applications and cover letters); *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 10 (N.D. Ill. 1980) (ordering production of patent disclosures, draft applications, purely technical information, and prior art studies).

³⁰ *Knogo Corp. v. United States*, 213 U.S.P.Q. 936, 940-41 (Ct. Cl. 1980).

³¹ *Id.* at 940.



oversimplified the role of the patent attorney in the patent application process. The court reasoned that instead of merely acting as a medium between the inventor and the PTO, patent attorneys bear the duty to define the scope and limitation of the invention.³² The court also found that in the application process, an inventor discloses to a patent attorney the substance of his invention, from which then attorney may extract one or more patent applications. In sum, because the information in a patent application and the communication which conveyed the information are distinct, the attorney-client privilege does apply to patent prosecution.³³ *Knogo* also has a strong following in case law.³⁴

3. Latest Development in *Spalding*

In re Spalding Sports Worldwide, Inc. involved the applicability of the attorney-client privilege to invention records.³⁵ In holding that invention records surrounding patent prosecution are privileged, the court reasoned that because the attorney-client relationship is a cooperative process that requires free flowing information, the same rationale found in non-patent attorney-client privilege cases should be applied.³⁶ Nevertheless, instead of expressly overruling *Jack Winter*, the court limited itself to citing *Knogo* with approval.³⁷ Further, although the *Knogo/Spalding* rationale furthers the purpose of the Federal Circuit to unify patent law and encourages the free communication between attorney and client, the holding does not clearly prevent the duty of candor from becoming an all-encompassing requirement that supersedes confidentiality. Section III articulates the policies behind the duty of confidentiality, and why it should not be preempted by the duty of candor.

III. Why the Duty of Confidentiality Should Prevail

The limited holding in *Spalding* does not clarify whether Patent Attorney will violate the duty of candor by disclosing the reference, which is confidential to Client A but material to Client B, to the PTO. I argue that the

³² *Id.*

³³ *Id.* at 941.

³⁴ See *Hydraflow, Inc. v. Enidine Inc.*, 145 F.R.D. 626, 635-36 (W.D.N.Y. 1993) (protecting communications entirely technical in nature); *In re Minebea Co.*, 143 F.R.D. 494, 502-03 (S.D.N.Y. 1992) (protecting memorandum on prior art search conducted with intent to determine patentability); *FMC Corp. v. Old Dominion Brush Co.*, 229 U.S.P.Q. 150, 152-53 (W.D. Mo. 1985) (protecting memorandum of prior art prepared by the inventor).

³⁵ *Spalding Sports Worldwide, Inc.*, 203 F.3d at 805. These invention records are forms where inventors disclose their inventions and other crucial information to the prosecution, including closest prior art, and Patent attorneys use these documents as an aid in drafting the most complete application possible. See *id.* at 802.

³⁶ *Id.* at 806.

³⁷ *Id.* at 805-06.



PTO Rules, court opinions, Congressional intent and policies all support the conclusion that the duty of candor shall not supersede confidentiality.

A. The Duty of Confidentiality Is a Cannon within the PTO Rules

Canon 4 provides client confidentiality preservation in the PTO Rules.³⁸ Further, PTO Rule 10.1 states that nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the PTO to accomplish its Federal objectives.³⁹ Indeed, duty of confidentiality is paramount to the practice of law because it ensures full and honest communication between attorney and client. In patent prosecution, confidentiality ensures that clients feel comfortable disclosing all information relevant to the invention. Thus, enforcing the duty of confidentiality does not prevent the PTO from accomplish its Federal objectives, because it provides greater assurance that the ultimate patent that issues is novel and non-obvious, without the threat of any hidden prior art. Last, PTO Rule 10.57 does not include an exception for the duty of candor.⁴⁰ One could conclude that the PTO agrees with the importance of preserving confidentiality and it shall supersede the duty of candor.

B. No Legislative Intent

Under the Supremacy Clause of the Constitution, federal laws enacted under constitutional authority constitute the supreme law of the land,⁴¹ but the intent of Congress is examined to evaluate whether federal law preempts a state regulation.⁴² Intent may be evidenced explicitly in the language of a statute, implicitly through passage of a statutory scheme that extensively occupies the field, or where the purpose and objectives of federal law would be frustrated by state law.⁴³ For example, in *Kewanee*, the Court held that state trade secret law, even when protecting patentable inventions, was not preempted by federal patent law.⁴⁴ The Court pointed out that trade secret law and patent law have co-existed for over 100 years, with each one having its own objectives that complement rather than conflict.⁴⁵ Congress, by its silence over these many years, has seen the wisdom of allowing the States to

³⁸ 37 C.F.R. § 10.56 (2002).

³⁹ 37 C.F.R. § 10.1 (2002).

⁴⁰ 37 C.F.R. § 10.57(c) (2002).

⁴¹ U.S. CONST. art. VI, cl. 2.

⁴² *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974) (“The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area . . .”).

⁴³ *Fla. Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 141-42 (1963).

⁴⁴ *Kewanee Oil Co.*, 416 U.S. at 479.

⁴⁵ *Id.* at 493.



enforce trade secret protection. Until Congress takes affirmative action to the contrary, States should be free to grant protection to trade secrets.⁴⁶ Similarly, state professionalism rules and federal patent law have co-existed for over 100 years.⁴⁷ State professional rules set uniform standards of ethics for attorneys that preserve confidentiality and integrity in the practice of law. State professional rules, particularly the duty of confidentiality, serve the goal of promoting full disclosure by clients because they can rely on the attorney's duty of non-disclosure. This will ensure that all information material to a patent is disclosed by the client during prosecution, thereby reduce the likelihood that the PTO issues patents that lack novelty and are obvious due to hidden prior art. This enhances, rather than detracts from the constitutional mandate to preserve the progress of the arts and sciences because it ensures that material, which belongs in the public domain, remains in public domain. Therefore, state ethical rules shall not be preempted by federal patent law.

C. Judicial Opinion

1. Judge Newman's Opinion in *Molins*

In *Molins PLC v. Textron, Inc.*, Smith simultaneously represented two clients, Molins and Lemelson.⁴⁸ Defendant accused Molins of inequitable conduct because Smith failed to disclose Lemelson's application, which was allegedly material to Molins' application. Smith argued that Lemelson's application was cumulative to that already in the record, and thus was not material. The court agreed with Smith and resolved the charge of inequitable conduct on this ground.⁴⁹ Issues of conflict of interest and attorney-client privilege were not directly addressed by the court because these issues were not argued. However, in dicta, the *Molins* court split three ways about the conflicting obligations placed upon patent attorneys by the PTO's duty of candor and the rules of professional responsibility. Judge Lourie, writing for the majority, hinted that Smith's behavior was improper,⁵⁰ but abstained from expressing a formal opinion on the privilege and conflict issues, because neither was properly before the court. Judge Nies argued that Smith faced a

⁴⁶ *Id.*

⁴⁷ *See Swidler & Berlin v. United States*, 524 U.S. 399, 410 (1998) (substantiating that state professionalism rules have existed for over a century).

⁴⁸ *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1177 (Fed. Cir. 1995).

⁴⁹ *Id.* at 1185.

⁵⁰ *Id.* (“[D]ual representation of two clients seeking patents in closely related technologies created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client.”).



clear conflict of interest and should have withdrawn from representing Molins.⁵¹

Finally, we found support in Judge Newman's concurring opinion. He argued that Smith had no obligation to disclose Lemelson's application because this reference was protected by attorney-client privilege.⁵² He also emphasizes that preserving client confidentiality must supersede the duty of candor in order to ensure full and frank disclosure from clients during prosecution of patent portfolios. Judge Newman distinguishes that the PTO Rules should not reach the confidential patent application that an entirely unrelated client happened to entrust to the same lawyer, but is instead limited to co-pending applications of the same client.⁵³ Despite the fact that the duty of candor encourages full disclosure that benefits both the PTO and the public, an attorney's obligation to preserve a client's confidentiality is absolute under both state and PTO professional rules.⁵⁴ Maintaining client confidentiality also ensures that each individual client will be motivated and comfortable with disclosing all relevant information during prosecution. In sum, a lawyer's duty of confidentiality under the Model Rules took precedence over the PTO Rules' duty of candor so a patent attorney should not have been charged with improper behavior simply because he respected a client's confidences.⁵⁵

2. Court's Opinion in *Kroll*

In *Kroll v. Finnerty*, a patent attorney sought declaratory judgment that state grievance committee lacked jurisdiction to bring disciplinary proceedings against him, which arose from his handling of patent matters.⁵⁶ The court affirmed the district court's dismissal because the federal law granting the Commissioner of Patents and Trademarks the authority to regulate the conduct of patent attorneys did not preempt state ethical disciplinary proceedings against a patent attorney for misconduct relating to his patent practice.⁵⁷ Because the PTO Rules concedes that it is not attempting to preempt state authority to regulate the practice of law, except

⁵¹ *Id.* at 1190 (Nies, J., dissenting in part) ("Smith's representation of clients with conflicting interests provides no justification for deceiving the PTO.").

⁵² *Id.* at 1192 (Newman, J., dissenting in part) ("[Smith's] obligation to preserve the confidentiality of his client Lemelson was absolute.").

⁵³ *Id.* at 1192-1193.

⁵⁴ See 37 C.F.R. § 10.56 (2002) (A practitioner should preserve the confidences of a client); MODEL RULES OF PROF'L CONDUCT R. 1.6(a) (2006).

⁵⁵ ROY SIMON, CONFLICTS OF INTEREST IN PATENT PRACTICE: REPRESENTING COMPETITORS (2002), <http://lazar-emanuel.com/Conflicts of Interest in Patent Practice Representing Competitors.pdf>.

⁵⁶ *Kroll v. Finnerty*, 242 F.3d 1359, 1365 (Fed. Cir. 2001).

⁵⁷ 35 U.S.C. § 32 (2002).



to the extent necessary to accomplish its objectives, the state could regulate attorney conduct as long as it did not limit the necessary scope of PTO's practice. Because such discipline would not frustrate an attorney's scope of practice or place an additional burden on patent attorneys, but would support the maintenance of proper standards for practitioners, the state professionalism rules were applicable and not preempted by the federal patent law.⁵⁸

D. Policy Arguments

1. Denial of the Privilege Ignores the Inventor's Interest

The PTO is charged with looking out for both the interests of the inventor and the public,⁵⁹ but the duty of candor only takes the public and the PTO into account. The inventor's interest is in obtaining all patent rights to which the inventor is entitled, and quality legal representation is important to ensure that this occurs. To ensure quality legal representation, the inventor must have the freedom to choose a counsel. The inventor's freedom of choice of counsel is an important right that would be seriously affected if the inventor was forced not to choose a counsel because the attorney might be forced to disclose immaterial confidential information.⁶⁰ Therefore, allowing the duty of candor to supersede the duty of confidentiality not only ignores the inventor's interest but also may diminish his interest in procuring patents because he could not choose a counsel based on the competence of an attorney.

2. Preserving Confidentiality Ensures Open and Honest Communication

The open communication that duty of confidentiality seeks to promote is especially important in patent practice because of the arcane technical subject matter of patents. The patent attorney must thoroughly understand the invention and all its technical nuances to be able to distinguish the invention from the prior art, and sometimes the invention will differ from the prior art in very subtle, yet meaningful, ways. Although all patent attorneys are scientists or engineers, they usually are not true experts in any given technology. Therefore, the attorneys need the clients, who are the gurus, to "teach" their inventions. This may require consideration of large amount of background information, not all of which will be material to the resulting patent. If inventors feel constrained in what they can tell their attorney for fear of disclosure, they may not adequately teach the invention to the attorney and may forfeit patent rights to which they are entitled. Therefore,

⁵⁸ *Kroll*, 242 F.3d at 1365.

⁵⁹ See generally CHISUM, *supra* note 12, § 11.03 n.7.

⁶⁰ See *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1576 (Fed. Cir. 1984).



the duty of confidentiality shall not be preempted by the duty of candor because complete communication will result in more accurately drafted patent applications that save PTO's administrative resources by reducing the numbers of office actions or continuation applications.⁶¹

3. Denial of the Privilege Creates Additional Burden

Because of the possibility of disclosure to third parties, clients and attorneys are forced to guess information about each other that they could not possibly know, even before deciding whether representation is appropriate. The client has to know in advance everything that must be disclosed to the attorney, and guess who the attorney's other clients are and what their inventions are. The inventor probably does not know this information, and the attorney certainly cannot reveal information about other clients because of the duty of confidentiality. Likewise, the attorney is forced to guess what the inventor might say that will be material to other clients' patents. The inventor and attorney can only know this type of information after disclosure, but at that point it is too late because the inventor will have revealed confidential information and the attorney must disclose it against other clients, even if the attorney declines representation of this inventor. This uncertainty will deter inventors from procuring patents, and burden patent attorneys in rendering quality service. Therefore, the duty of confidentiality shall supersede the duty of candor to ensure that the patent system accomplish its Constitutional objectives.

4. Denial of the Privilege Creates a Conflict of Interest Not Otherwise Exist

Revisiting the fact scenario, the Patent Attorney may purposely draft Client B's patent in such a way that Client A's confidential information will not have to be disclosed. This may result in Client B getting less patent rights than he deserves, and therefore creates a conflict of interest because Patent Attorney's representation of Client A limits the representation of Client B. This situation places Patent Attorney in a conflict of interest that would not exist if the privilege applied.⁶² Such uncertainty and resulting possibility of prolonged waiting time for issuance will deter inventors from procuring a patent and therefore prevent the patent system from accomplishing its Constitutional objectives.

IV. Conflict of Interest

In essence, the conflict of the duty of candor and confidentiality stems from representing different clients in close industries. Also, dual representation of two clients seeking patents in closely related technologies

⁶¹ 37 C.F.R. §§ 1.111, 1.53 (2002).

⁶² MODEL RULES OF PROF'L CONDUCT R. 1.7(b) (2006).



creates a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client.⁶³ Therefore, discussion of conflict of interest issues is included in this thesis.

Although it seems that a practitioner may avoid such issue by conducting a conflict check, the conflict check will most likely be ineffective in practice. First, a practitioner who represents two clients who may obtain patents with overlapping subject matter does not represent clients who have, as yet, directly adverse interests. If two patents do not interfere, there would not appear to be a conflict between a lawyer representing two clients seeking closely related applications. Further, if the specifications of applications for different clients could not support at least claims that potentially could interfere, then absent unusual circumstances there is no conflict arising from prosecution. Thus, patent attorneys are not denied to represent clients in the same or similar technology areas because mere patenting of subject matter for one client creates no conflict of interest with all other clients. Second, a conflict may arise even if the patents were wholly unrelated and the clients were in completely separate industries.⁶⁴ Because a conflict can only be determined by measuring the materiality of the other client's application after they are drafted, a simple incident, for example, a client's new product line, will defeat the conflict check.

A. The Rules

Under PTO Rule 10.66, a patent attorney must refuse to accept or continue employment if the interest of another client may impair the independent, professional judgment of the practitioner, unless the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each.⁶⁵ In addition, Model Rule 1.7 specifies that there are waivable and unwaivable conflicts of interest. If representation of the client would be directly adverse, then conflict is unwaivable and representation is prohibited. If the attorney determines that the conflict of interest is waivable, she must then obtain her client's consent, but only after consultation. Nevertheless, does "disclosing Client A's confidential information" create directly adverse conflict thus unwaivable? Further, even if waivable, consent to a conflict of interest is effective only if given after

⁶³ *Molins*, 48 F.3d at 1187.

⁶⁴ See Paul W. Vapnek, *Ethics and Professional Responsibility Issues*, 729 PLI/PAT 43, 47-53 (2002).

⁶⁵ 37 C.F.R. § 10.66(a)-(c) (2002).



full disclosure of the consequences to both parties, which is impossible because the information here is confidential.⁶⁶ Therefore, none of the rules provides a perfect solution.

B. Practice Tips

Below are practical tips to approach the issue of representing clients in close technologies in a chronological order of the patent prosecution process.⁶⁷

1. Selective Representation

A firm may conduct a thorough conflict check and choose to represent only selected clients. However, it is an imperfect way to address the issue because it is hard to predict a business' next move. For example, a merger or acquisition will defeat the initial conflict check because existing clients now have conflicting interests that were not discernable during intake. In addition, firms advertise their expertise in certain technologies and will most likely attract multiple clients in related industries. It is hard for medium/small-size firms to decline representation because they may need the job to maintain operation. It is also undesirable for large firms to turn down the offer. Because it is common for patent prosecution firms to represent direct or indirect competitors, clients will not understand why the firm cannot represent them. The firm will suffer damage in credibility and lose future clients.

2. Ethical Wall

A firm may create an "ethical wall" by separating its lawyers into independent groups so they can represent conflicting clients. However, this method may be impracticable as a business matter because, as discussed, conflict checks are not 100% accurate. Also, the firm will become inflexible in intaking new clients due to the number of groups.⁶⁸

3. Waiver Agreement

An attorney may request a would-be client to sign an agreement to waive the attorney-client privilege. Nevertheless, such method is legally unenforceable because a waiver of attorney-client privilege cannot be unknown, undefined future problems. The client also will most likely not accept such agreement because a blank waiver at the inception of a

⁶⁶ CHARLES W. WOLFRAM, *MODERN LEGAL ETHICS* § 7.2.4(a) n.109 (Practitioners ed. 1986).

⁶⁷ Telephone Interview with Theodore Herhold, Partner, Kilpatrick, Townsend & Stockton (Nov. 10, 2010); E-mail from Juan Marques, Member, Stites & Harbison PLLC (November 3, 2010) (on file with author).

⁶⁸ David Hricik, *The Risks and Responsibilities of Attorneys and Firms Prosecuting Patents for Different Clients in Related Technologies*, 8 *TEX. INTELL. PROP. L.J.* 331, 352 (2000).



relationship is problematic. An attorney may also request for consent to a conflict of interest from Client A, according to Model Rule 1.7. Nevertheless, this is also impracticable because clients will be reluctant to disclose their confidential information at any time.

4. Withdraw from Presentation

The majority in *Molins* opined that simultaneous representation of clients seeking patents in related technologies was fraught with possible conflict of interest and created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO.⁶⁹ Indeed, if prosecution for Client B leads to conflicting claims with Client A, which may trigger an interference proceeding within the PTO, the attorney may have to withdraw from representing Client B. He can explain to Client B that his ability to represent has been compromised by another client's confidential information.⁷⁰ Client B's application thus may be abandoned, or transferred to another firm. Nevertheless, Client B will be unhappy to hear such explanation, especially if at the time of the withdrawal, Client B has lost his chance to procure patent protection due to the statutory bar.⁷¹

5. Claim Around

An attorney may revise Client B's claims after informing him about the conflict, and that the claims drafted have problem of invalidity and enforceability because a confidential material reference was found. A claim shaving may protect Client B by giving him at least an equally broad patent protection. Still, if the client is disfavored by a narrower claim, this may become the subject of a malpractice claim.⁷²

V. Conclusion

The goal of fostering enhanced communication between attorney and client through the use of privileged communications will be diminished if such privilege is preempted by the duty of candor. Preserving confidentiality must remain paramount in the practice of all areas of law, including patent prosecution. Moreover, confidentiality motivates clients to be honest and to disclose all material relevant to the patentability of the invention during prosecution. This ensures more efficient prosecution at the PTO and increases the likelihood that issued patents indeed meet the statutory requirements of novelty and non-obviousness, without the existence of hidden prior art or other fraud on the PTO. In addition, the PTO Rules and the state ethical requirements should work together to ensure high moral and

⁶⁹ *Molins*, 48 F.3d at 1185.

⁷⁰ 37 C.F.R. § 10.66(d) (2002).

⁷¹ 35 U.S.C. § 102(b) (2002).

⁷² *Berkeley Ltd. P'ship v. Arnold, White & Durkee*, 118 F. Supp. 2d 668 (D. Md. 2000).



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ethical standards when prosecuting patents in any state forum. In this regard, when preserving a client's confidentiality is at issue, the duty of candor must yield to the greater ethical policies because application of the privilege does not necessarily contravene the policies and objectives of the patent system.

Cited as:

Bluebook Style: Kuan-Hsun Chiu, *The Duty of Confidentiality Shall be Preserved in Patent Prosecution to Foster a More Effective and Efficient Patent System*, 1 NTUT J. of INTELL. PROP. L. & MGMT. 25 (2012).

APA Style: Chiu, K.-H. (2012). The duty of confidentiality shall be preserved in patent prosecution to foster a more effective and efficient patent system. *NTUT Journal of Intellectual Property Law & Management*, 1(1), 25-40.

