

*Intellectual Property Pre-trial Litigation Ethical  
Considerations and Concerns in Light of the Changing  
Legal Environment During and Post-pandemic*

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# General Thoughts on Ethics

- The root of your ethical obligations do not change based on practice area
- There are some unique circumstances that implicate ethics in an IP practice
- COVID-19 has created situations that implicate ethics
- Know the rules and know your client
- Trust your gut – if it doesn't feel right, check it out
- Ethical obligations extend beyond your client
- Always be honest and professional



# The Ethical Rules

- American Bar Association Model Rules of Professional Conduct ([www.americanbar.org](http://www.americanbar.org))
- Texas Disciplinary Rules of Professional Conduct ([www.texasbar.com](http://www.texasbar.com))
- USPTO Rules of Professional Conduct (37 C.F.R. §§ 11.101-901) ([www.uspto.gov/learning-and-resources/patent-and-trademark-practitioners/current-patent-practitioner/ethics-rules](http://www.uspto.gov/learning-and-resources/patent-and-trademark-practitioners/current-patent-practitioner/ethics-rules))
- Federal Rule of Civil Procedure 11

# General Thoughts About The Ethical Rules

- MRPC Rules are not binding but persuasive
- The USPTO Rules are based on the MRPC, with slight differences
- Practitioners at USPTO are subject to discipline whether their conduct was related to practice before the Office or not
- Practitioners have a duty to report misconduct – 37 C.F.R. § 11.803
- The TX Rules are quite a bit different than the MRPC and should be reviewed

# ABA – Malpractice Risks

- Substantive errors (46%)
  - Failure to know or properly apply law
  - Missing deadlines
  - Inadequate investigation
- Administrative errors (28.5%)
  - Delegation errors
  - Clerical errors
  - Failure to file a document
- Intentional wrongs (12.3%)
  - Fraud, theft and abuse of process
- Client relations issues (12%)
  - Poor communication
  - Failure to follow instructions or obtain
  - Conflicts of interest



# USPTO – Frequent Causes of Grievances

- Neglect
  - Failure to reply to Office Actions
  - Lack of client communication
  - Failure to turn over files to new representative
  - Failure to revive abandoned applications
  - Failures to file or delays to file
- Dishonesty, Fraud, Deceit and Misrepresentation
  - Concealing information from client
  - False or misleading statements to office
- Fee-Related Issues
- Unauthorized Practice of Law
  - Poor communication
  - Failure to follow instructions or obtain
  - Conflicts of interest



# Specific Ethical Rules Considered Today

- *Competence* (MPC 1.1, TX 1.01, USPTO 11.101)
- *Confidentiality of Information* (MPC 1.6, TX 1.05, USPTO 11.106)
- *Organization as Client* (MPC 1.13, TX 1.12, USPTO 11.113)
- *Communication With Person Represented by Counsel* (MPC 4.2, TX 4.02, USPTO 11.402)
- *Responsibilities Regarding Nonlawyer Assistance* (MPC 5.3, TX 5.03, USPTO 11.503)
- *Misconduct* (MPC 8.4, TX 8.04, USPTO 11.804)

# Competence

## USPTO 11.101

*A practitioner shall provide competent representation to a client. Competent representation requires the legal, **scientific, and technical** knowledge, skill, thoroughness and preparation reasonably necessary for the representation.*

## TX 1.01(a)

*A lawyer shall not accept or continue employment in a legal matter which the lawyer knows or should know is beyond the lawyer's competence, unless:*

- (1) another lawyer who is competent to handle the matter is, with the prior informed consent of the client, associated in the matter; or*
- (2) the advice or assistance of the lawyer is reasonably required in an emergency and the lawyer limits the advice and assistance to that which is reasonably necessary in the circumstances.*

Note: This can also be implicated if a lawyer is asked to work on a project and the lawyer knows he/she is stretched too thin to competently handle the project effectively.

# Confidentiality

## MRPC 1.6(c)

*A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.*

## USPTO 11.106(a)

*A practitioner shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, the disclosure is permitted by paragraph (b) of this section, or the disclosure is required by paragraph (c) of this section.*

## USPTO 11.106(c)

*A practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.*

## TX 1.05(b)

*Except as permitted by paragraphs (c) and (d), or as required by paragraphs (e), and (f), a lawyer shall not knowingly:*

*(1) Reveal confidential information of a client or a former client to:*

*(i) a person that the client has instructed is not to receive the information; or*

*(ii) anyone else, other than the client, the clients representatives, or the members, associates, or employees of the lawyers law firm.*

# Truthfulness in Statements to Others

## USPTO 11.401

*In the course of representing a client, a practitioner shall not knowingly:*

- (a) Make a false statement of material fact or law to a third person; or*
- (b) Fail to disclose a material fact to a third person when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client . . .*

## TX 4.01

*In the course of representing a client a lawyer shall not knowingly:*

- (a) make a false statement of material fact or law to a third person; or*
- (b) fail to disclose a material fact to a third person when disclosure is necessary to avoid **making the lawyer a party to a criminal act or knowingly assisting a fraudulent act perpetrated by a client.***

# Communication with Those Represented by Counsel

## USPTO 11.402

*(a) In representing a client, a practitioner shall not communicate about the subject of the representation with a person the practitioner knows to be represented by another practitioner in the matter, unless the practitioner has the consent of the other practitioner or is authorized to do so by law, rule, or a court order.*

## TX 4.02

*(a) In representing a client, a lawyer shall not communicate or cause or encourage another to communicate about the subject of the representation with a person, organization or entity of government the lawyer knows to be represented by another lawyer regarding that subject, unless the lawyer has the consent of the other lawyer or is authorized by law to do so.*

# Responsibilities Regarding Nonlawyer Assistance

## TX 5.03

With respect to a non-lawyer employed or retained by or associated with a lawyer:

(a) a lawyer having direct supervisory authority over the nonlawyer shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the lawyer; and

(b) a lawyer shall be subject to discipline for the conduct of such a person that would be a violation of these rules if engaged in by a lawyer if:

(1) the lawyer orders, encourages, or permits the conduct involved; or

(2) the lawyer:

(i) is a partner in the law firm in which the person is employed, retained by, or associated with; or is the general counsel of a government agency's legal department in which the person is employed, retained by or associated with; or has direct supervisory authority over such person; and

(ii) with knowledge of such misconduct by the nonlawyer knowingly fails to take reasonable remedial action to avoid or mitigate the consequences of that person's misconduct.

# Misconduct

## TX 8.04

*(a) A lawyer shall not:*

*(1) violate these rules, knowingly assist or induce another to do so, or do so through the acts of another, whether or not such violation occurred in the course of a client-lawyer relationship;*

*(2) commit a serious crime or commit any other criminal act that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects;*

*(3) engage in conduct involving dishonesty, fraud, deceit or misrepresentation;*

*(4) engage in conduct constituting obstruction of justice;*

*(5) state or imply an ability to influence improperly a government agency or official;*

# Ethical Issues in IP Litigation

- FRCP 11 requires that:
  - The pleading is not being presented for any improper purpose
  - The factual contentions have evidentiary support or will likely have evidentiary support after a reasonable investigation
- Pre-suit or other investigations in trademark and patent infringement matters often involve attempts to gather information about third party businesses
- Complying with USPTO rules in determining whether to seek a mark or pursue abandonment, etc.
- Sometimes parties utilize private investigators or other staff, which implicates TX 5.03 and USPTO 11.503 (nonlawyer assistance) and TX 4.02 and USPTO 11.402 (communications with those represented by counsel)
- **IMPORTANT TO REALIZE THAT ACTS OF PI or STAFF MAY BE IMPUTED TO YOU**
  - Mail tampering and/or theft and/or trespassing
  - Phone call recording
  - “Pretexting” – making false statements to obtain information
- Make sure to check state law, which often governs PI conduct (Tex. Occ. Code Ann. § 1702.101)
- Particularly egregious conduct can implicate TX 8.4(a) and USPTO 11.804



# Ethical Issues in IP Litigation

- Responding to allegations of IP Infringement also raises ethical/privilege issues
- Upon receipt of a demand, consider one counsel for litigation and one for opinion of infringement
- A party must act in good faith in responding to allegations of willful patent infringement to avoid enhanced damages (35 U.S.C. § 284)
- “[T]he subjective willfulness of a patent infringer , intentional or knowing, may warrant enhanced damages . . .” *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S.Ct. 1923, 1932 (2016)
- If an opinion of non-infringement is to be used as a defense, it may compromise privilege if there is not separate trial counsel
- It is important for the client to use care to separate or “fence off” counsel to preserve any willfulness defense



# Licensing and Settlement Issues

- Ethical obligations extend beyond the client, to the USPTO, and even adverse parties
- Cannot make false statements of material facts or law to third parties – TX 4.01(a) and USPTO 11.401(a)
- The difference between “puffing” and violating ethical obligations becomes an issue in licensing and settlement talks
- “Puffing” is considered a statement based on opinion which may be exaggerated

***Example:** In a licensing negotiation, a lawyer or an executive states to the prospective licensor that if a deal cannot be agreed to soon, they will commence negotiations with a competitor. Even if the lawyer or executive has no desire to do this, it would be considered “puffing.”*

*If the executive or lawyer instead represents that they already had a license proposal in hand from the competitor and would be executing it, and in reality did not actually have a proposal in hand, or had not actually communicated at all with the competitor, the line would be crossed.*



# Licensing and Settlement Issues

- TX 4.01(b) prohibits a “fail[ure] to disclose a material fact to a third person when disclosure is necessary to avoid . . . knowingly assisting a fraudulent act perpetrated by a client.”
- This can also come up in the licensing and settlement context
- When can you be silent, and when is it a violation?

**Example:** *A licensee knows that its medical device is under review by the FDA and they have received a notice of recall from the FDA. If asked by the potential licensor if the product has been recalled, it is obligated to answer truthfully.*

*What if the licensor did not ask the question? Must the information be volunteered by the licensee?*

- Be wary of TX 4.02 and USPTO 11.402 if negotiations are with a non-lawyer
- Avoid tying reporting of criminal or regulatory violations to settlement offers because it violates TX 8.04(5) and can be considered extortion



# COVID-19 Ethical IP Enforcement Issues (Be Smart)

- Can IP rights be enforced in a way that adversely affects public health?
- There are a lot of questions, but the World Intellectual Property Organization and the World Health Organization believe that health should come first
- Products like tests, diagnostics, vaccines, medical equipment, therapeutics, and technologies that are not purely medical, like tracking and tracing
- Several governments have instituted compulsory licensing measures (Canada, Israel, Germany, Chile and Ecuador)
- As a holder of IP rights, it is important to carefully consider enforcement in a time of crisis, or risk public outrage (Labrador Diagnostics), or government intervention under the Defense Production Act or the compulsory licensing provisions of 28 U.S.C. § 1498(a).
- Careful review of the USPTO Resource Center (<https://www.uspto.gov/coronavirus/uspto-covid-19-response-resource-center>) is warranted
- Careful consideration of voluntary pledges during a health care crisis that are temporary in duration and narrow in scope is warranted



# Use of Virtual Platforms for Litigation

- Litigation in the pandemic has continued at a slow pace
- New technologies and platforms for depositions and hearings are in full use, but they are not a perfect substitute
- Easier for witnesses, harder for lawyers
- These new technologies present ethical issues
  - Verifying the identity of witnesses
  - Minimizing coaching
  - Confidentiality challenges
  - Constitutional issues – confronting an accuser
- It is important that your witnesses and counsel understand the issues and limitations and be prepared for glitches
- It is important that professionalism and decorum are not compromised



# Working From Home – Ethical Issues

- Implicates client confidentiality obligations (MPC 1.6, TX 1.05, USPTO 11.106)
- *A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.*
- Client information outside of the company or firm firewall is a problem
- Make sure you are in compliance with client protocols and guidelines
- Log in to your secure firm or company system when working on client matters
- Make sure hard copy documents are shredded
- Password protect all data, secure your Wi-Fi
- Same for in-house and outside counsel



# Questions?

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*If you have any questions or need assistance, please feel free to contact any of the presenters at:*

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