

**IN THE MATTER OF THE INSTITUTE OF PATENT AND TRADE MARK
ATTORNEYS OF AUSTRALIA**

MEMORANDUM OF ADVICE

Instructions

1. The Council of the Institute of Patent and Trade Mark Attorneys (“IPTA”), the peak professional body representing Australian patent and trade marks attorneys, seeks advice in relation to the disclosure requirements applying to certain firms of patent and trade mark attorneys.
2. There are currently two publicly listed intellectual property companies in Australia. IPH Ltd is the holding company for patent and trade mark attorney firms Spruson & Ferguson, Fisher Adams Kelly Callinans, Pizzeys Patent and Trade Mark Attorneys, and Cullens. Xenith IP Group Ltd is the holding company for Shelston IP. Xenith has also recently announced it has entered into an agreement to acquire the Watermark Group. A prospectus has issued on a third such company for listing on the Australian Stock Exchange. Qantm Intellectual Property Ltd will be the holding company for the two firms Davies Collinson Cave and Freehills Patent Attorneys.
3. The question has arisen of whether the firms owned by the listed companies, in particular those owned by IPH Ltd, are in breach of the Code of Ethics and Guidelines by not making clear on their correspondence or on their websites their association with the other firms owned by the company.
4. The firms owned by IPH Ltd display statements on their websites as follows:

(a) Fisher Adams Kelly Callinans:

Please note that Fisher Adams Kelly Callinans is a member of the IPH Limited group which includes a range of professional services firms operating under a number of brands throughout the Asia-Pacific region

Fisher Adams Kelly Callinans is a member of IPH Limited group

Subject to legal professional privilege

Liability limited by a scheme approved under Professional Standards Legislation



- (b) Pizeys Patent and Trade Mark Attorneys:

Pizeys is a member of IPH Limited group

- (c) Spruson & Ferguson:

Spruson & Ferguson companies are members of IPH Limited group

- (d) Cullens:

Cullens is a member of IPH Limited group

5. The following announcement appears on the Cullens website:

We are delighted to announce that Cullens has joined the IPH Limited group. IPH is the leading intellectual property (“IP”) services group in the Asia-Pacific region offering a wide range of IP services and products. We are excited to be part of the group, which currently comprises approximately 410 people, including some of the most highly regarded IP professionals in our region.

Cullens will continue to operate as before as a separate business, under our current name, and with our existing team of Principals and attorneys.

Our services will continue to be delivered promptly and professionally, in a cost effective manner, with the same personnel providing the same services from the same premises.

6. A “Group Relationships Statement” is included on the website of Fisher Adams Kelly Callinans, Pizeys Patent and Trade Mark Attorneys, Spruson & Ferguson and Cullens. With the exception of the name of the firm, the statements appear to be the same. The statement as it appears on the Spruson & Ferguson website is as follows:

GROUP RELATIONSHIPS STATEMENT

Spruson & Ferguson is a member of the IPH Limited group. IPH Limited is the holding company for a number of intellectual property professional services firms (group businesses) and adjacent businesses, offering services and products across a range of countries and brands.

The success of Spruson & Ferguson’s business and the success of our clients require us to deliver the highest quality services, independently, and always in our clients’ best interests.

To ensure this, Spruson & Ferguson and each IPH group business adhere to the following key principles to ensure independence, appropriate disclosure of group relationships and the management of actual or potential conflicts of interest.



Always act in the best interests of our clients

Spruson & Ferguson and each of its attorneys have as their first and primary obligation, always to act in the best interests of their clients and in accordance with the law.

Independent conduct of all client matters

Spruson & Ferguson conducts all client cases independently from any other IPH group business. Spruson & Ferguson and each other group business maintain separate case management systems and no case related information is shared with another group business.

(Note: Spruson & Ferguson may in some cases engage or be engaged by other IPH group businesses as a foreign agent.)

Active compliance with all legal and ethical requirements

Spruson & Ferguson and each of its attorneys actively comply with all applicable laws, regulations and codes of conduct, including professional regulations and codes, and privacy, competition and consumer protection legislation.

Active management of conflicts of interest

Spruson & Ferguson and each responsible attorney actively consider and manage actual and potential conflicts of interest. The IPH group structures and arrangements, including as to the separation and independent conduct of client cases by each group business, ensures compliance with legal and ethical requirements, and minimises the potential occurrence of conflicts.

Disclosure of group relationships and independence in tenders and proposals

Spruson & Ferguson is open and transparent about its relationship with IPH and other group businesses, including by expressly notifying its membership of the group in competitive proposals and tenders. Spruson & Ferguson and other group businesses prepare all tender responses and proposals independently from each other. No group business shares the content of any such tenders or proposals with any other group business.

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Gathering and sharing of personal information

Spruson & Ferguson and each group business collect and manage personal information in accordance with applicable privacy and personal data protection legislation, including the Australian Privacy Act 1988 (Cth.), the Singapore Personal Data Protection Act 2012 and other applicable privacy legislation in jurisdictions in which the group business has an establishment. For more information on how we manage and share such information see our Privacy Policy.

The proper management of these matters is of critical importance to Spruson & Ferguson and the IPH group so as to ensure the interests of Spruson & Ferguson clients are not affected.

If you would like further information with respect to Spruson & Ferguson's approach to these matters please contact us.

7. In relation to these facts, IPTA seeks advice on the following questions:
 - 2.1. *Counsel is requested to review the IPTA Code of Ethics and Guidelines, the websites of the listed firms and advise if the disclosure on these websites is in compliance with the Code of Ethics and Guidelines. If not, to advise of the level of disclosure required of a listed firm, including a listed firm within a stable of firms owned by the same holding company in order to comply.*
 - 2.2. *Counsel is also requested to advise if letterheads and other marketing/promotional documentation used and circulated by the listed firms must also carry the same level of disclosure for compliance purposes.*
8. It is necessary first to address the relevant provisions of the IPTA Articles of Association, Code of Ethics and Guidelines, and some material aspects of the governing legislation.



Governing legislation, IPTA Articles of Association, Code of Ethics and Guidelines

9. The registration of patent attorneys and trade mark attorneys is provided for by, respectively, provisions of the *Patents Act 1990* (Cth) (ss 198-200A) and the *Trade Marks Act 1995* (Cth) (ss 228A-229). These provisions permit an incorporated entity to be a patent or trade mark attorney, provided in each case that there is a director of the entity which is a “patent attorney director” (*Patents Act* s 201B) or “trade mark attorney director” (*Trade Marks Act* s 157A). There is established a Professional Standards Board for Patent and Trade Mark Attorneys (*Patents Act* s 227A), and there are schemes of accreditation, registration and professional discipline established by the *Patents Regulations 1991* (Cth) (which are extended to trade mark attorneys by the *Trade Marks Regulations 1995* (Cth)).
10. The Professional Standards Board has established the *Code of Conduct for Patent and Trade Mark Attorneys 2013* (Cth). Clause 15 of that Code provides (relevantly) as follows:

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: ...*

(e) the interests of a business partner or business associate (however described) of the registered attorney. ...

11. Clause 17 of the Code further provides:

- (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.

12. Clause 23 of the Code provides:

- (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:*
- (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.*



13. The Articles of Association of IPTA provide for the Council of IPTA to publish (article 81), and require the observance by all members of (article 80), a Code of Ethics “setting forth required standards and practices with respect to professional practice of a patent attorney or a trade marks attorney and with respect to the conduct of members in their relationship with their clients, associates, the public and other practitioners or with government departments or with members of other professions” (article 80).
14. Adoption, alterations or repeals of the Code of Ethics or of any of the By-Laws of IPTA may be made only by resolutions carried at a Special Meeting of Fellows of IPTA convened for the purpose (article 79). By-Law (1) of IPTA provides that no member “shall behave in a manner contrary to that defined in the Code of Ethics and any such contrary behavior shall be deemed to be conduct unworthy of a member of the Institute”.
15. Section 3.03 of the Code of Ethics provides that a member “shall in the practice of the profession take care to avoid behavior and practices that are misleading or deceptive or that are likely to mislead or deceive”. Section 3.04 then provides that it

is the duty of a member to maintain professional and ethical standards in the practice of the profession, to promote the interests of his or her clients and of the profession, and, in the practice of the profession to render a service to the public. A member should refrain from doing any act or sanctioning any act which is undignified or is likely to bring discredit upon, or otherwise prejudice the public confidence in, the profession, the Institute, or any of its members.

16. Reference is made to guidelines 15, 16, 17 and 18, which provide as follows:

15. In his professional practice, a member shall not knowingly make a false or misleading statement, or prepare or be a party to the preparation or lodgement of documents in relation to the grant of intellectual property rights which contain any such statement, nor shall a member wilfully misrepresent facts or otherwise mislead another member, a client or any other person or organisation, in any matter with which the member is concerned.

16. A member shall not make any representation or indication at his or her office premises or on his or her stationery or likewise which is misleading or is likely to mislead the public.



17. *In the event that a member carries on practice in Australia as a patent attorney or a trade marks attorney under his or her own name and under one or more business names, or under more than one business name, then any letterheaded stationery used by the member in his practice as a patent attorney or as a trade marks attorney under any one of those names shall also refer to his or her practice under the other name or names.*

18. *If:*

a member is engaged in practice as a patent attorney or as a trade marks attorney in Australia (hereinafter called the "Member's Principal Practice");

and where the member is in partnership with another person who is a patent attorney, a trade marks attorney or other intellectual property practitioner in Australia or overseas but is not a partner in the Member's Principal Practice, or the member and the other person are each a director or shareholder of a company or are each a trustee or a beneficiary of a trust, and where

the partnership, company or trust engages in the practice of a patent attorney, or trade marks attorney or other intellectual property practitioner; engages in the management of the practice of a patent attorney, a trade marks attorney or other intellectual property practitioner in Australia or overseas or derives a financial benefit from the Member's Principal Practice or from the practice of the other person;

then the association between the member and the other person, partnership, company or trust shall be referred to on all letterheaded stationery used in the conduct of the Member's Principal Practice.

Answers to Questions

17. The first question is whether the disclosure statements on the websites of listed firms which are set out above comply with the existing Code of Ethics and Guidelines. The answer is yes.

18. Guideline 16 would appear to apply to statements made on the firm's website. However, there seems to be no breach of that guideline in any of the website statements. In the case of each of the firms owned by IPH Ltd, it is accurate and not misleading to state that they are members of the IPH Ltd group of companies. It is not misleading, and not likely to mislead, to not state that other members of that group comprise a number of other firms performing comparable work.



19. In relation to the announcement on the Cullens website recorded at [5] above, there are no instructions which would suggest that it is inaccurate to say that Cullens “will continue to operate as before as a separate business” or that “the same personnel” will provide “the same services from the same premises”. That may change if there is in fact a degree of intermingling of the provision of services from different firms.
20. There is nothing in the detailed “group relationship statement” which appears necessarily to be misleading. Again there are no instructions to suggest that it is inaccurate to say that each firm in a particular stable “conducts all client cases independently from any other IPH group business”, that each firm maintains “separate case management systems and no case related information is shared with another group business”, or that the firm “and each responsible attorney actively consider and manage actual and potential conflicts of interest”.
21. In relation to guideline 17, it cannot be assumed that any of the firms within a particular stable, if the firm is an incorporated attorney in its own right, is “carrying on practice ... under more than one business name”. Were there evidence that client information was being shared between firms in a stable, or that work was done between them jointly for a particular client, then not only would the “group relationship statement” be false but there may also be a breach of guideline 17. As stated above, existing instructions do not permit that conclusion. Rather it appears that each firm, if it is itself an incorporated attorney, is carrying on its own practice, and if it is not, then its employed attorneys are carrying on a practice separate from that carried on by the other firms.
22. Guideline 18 is on its face difficult to follow. However, it appears to be drafted to deal with particular circumstances in which there is a direct relationship of control or beneficial interest between two individuals or corporate entities each practising as an attorney. For example, if IPH Limited itself were a member of IPTA and practising as an attorney it would satisfy the first condition in Guideline 18. IPH Limited is a shareholder of at least one company which engages in the practice of an attorney (being one of the listed firms it owns, e.g., Spruson & Ferguson). If there were another person (e.g., Company A) also practicing as an attorney and who was also a shareholder of one or more of those listed firms (e.g., Spruson & Ferguson), the three conditions in Guideline 18 would be satisfied, such that IPH and Company A would be required to disclose their relationship on their respective letterheaded stationery.


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23. However, the situation here appears to be quite different. The persons who are engaging in the practice of patent or trade marks attorneys are (a) the individuals employed by the listed firms, and (b) inferentially the listed firms themselves as incorporated attorneys. IPH Limited appears to be a holding company, from which it may be inferred it does not itself engage in the practice of a patent or trade marks attorney. There is nothing in the instructions to suggest any form of cross-ownership or partnership or any trust structures existing between the individual firms IPH Limited owns. While it might be imagined that each individual firm may gain some financial benefit through their common ownership by IPH Limited, possibly through some marginally reduced cost of capital, that would not be enough to engage guideline 18.
24. The second question is whether letterheads and other marketing or promotional material used and circulated by the listed firms must also make the same disclosures as are set out above from the various firms' websites. On the premise that the question concerns only the application of the Code of Ethics and Guidelines, the answer is no. On its face, the absence of any representation about group structure or ownership would not be misleading of itself. It might be argued that there could be a representation by silence if, by the failure to state that an incorporated attorney is owned by an entity which also owns other incorporated attorneys, a client or other person might gain the impression that the contrary was true. However, the instructions set out above provide no basis to infer that that might occur.
25. Even if it were so, it is at best unlikely that either of guidelines 15 or 16 could extend to that situation. Guideline 15 appears to be concerned with the conduct of the member's "professional practice", i.e. the carrying out of work for a client in relation to a particular "matter", as opposed to general marketing. Guideline 16 is not so limited, but is nevertheless concerned with making "any representation or indication" in some material form, i.e. "at his or her office premises or on his or her stationery or likewise". A positive representation of an absence of any relationship with other firms might be misleading, but on the instructions set out above there is no indication that any such representation has been or will be made.

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Concluding remarks

26. The foregoing advice is confined to the effect of the Code of Ethics and Guidelines of IPTA, that being the scope of the questions asked. The effect is that, on existing instructions, there is no evidence of any breach of the Code of Ethics and Guidelines by any of the statements by member firms of the IPH Ltd group. There is however a question as yet not addressed concerning the effect of the Code of Conduct published by the Professional Standards Board, relevant provisions of which are set out above, for example, whether compliance with the Code is sufficient to satisfy the requirements at common law as to fiduciary duties with respect to conflicts of interest.



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