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Trans-Tasman IP Attorney Board

Attention Janine Brown

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Dear Janine

**Trans-Tasman IP Attorneys Board - Review of the Code of Conduct - Consultation Paper**

With reference to the Consultation Paper dated April 2017 released by the Trans-Tasman IP Attorney Board, the Institute of Patent and Trade Mark Attorneys of Australia offers the following submissions and comments.

**Background**

The Institute of Patent and Trade Mark Attorneys of Australia (***IPTA***) represents patent and trade marks attorneys registered in Australia, both in private and corporate practice. Although membership of IPTA is voluntary, over 90% of patent attorneys registered in Australia are members, either as Fellows or as Ordinary Members. Most members are also registered trade marks attorneys in Australia. In addition, the membership of IPTA includes registered trade marks attorneys who are not registered patent attorneys. Many of the patent attorney members are also registered New Zealand patent attorneys. As many of our members are now employed by an attorney firm owned by a listed entity that also owns one or more other attorney firms, IPTA has considered the varied views of its members and has attempted to reflect the reasonable views of a large proportion of patent and trade marks attorneys registered in Australia.

**Fiduciary Duty**

IPTA notes in the decision of the Patent and Trade Marks Attorneys Disciplinary Tribunal *Schulze and Boehm 2012* the Tribunal stated at paragraphs 106, 107 and 109:

The duty of an attorney is to avoid and resolve a conflict, or possible conflict, of interest is grounded in fiduciary law, which requires a fiduciary to give his or her undivided loyalty to the principal (the client).

It is not disputed that the relationship between a registered patent and trade marks attorneys is a fiduciary one and that the attorney, as fiduciary, owes (subject to the law) a duty of undivided loyalty, to his or her client.

Accordingly, an attorney is required to avoid a situation where his or her duty to act in the best interest (including loyalty and confidentiality) of one client, or a prospective client will conflict with his or her duty to act in the best interest to another client. In general, this conflict in the role of an attorney arises where the interests of the respective clients differ in regard to, or relating to the subject matter, or task for which the attorney has been retained.

Thus the Tribunal found that obligations of attorneys to their clients are similar to those of solicitors. As Australian patent and trade marks attorneys have a fiduciary duty to their clients under certain circumstances, IPTA is of the view that any revision of the Code should reflect this obligation.

## MATTERS FOR CONSULTATION

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

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

Not that IPTA is aware

### Issue 2: Equal application of provisions generally

- Should the Code apply the provisions of sections 11(4), 12, 13(1), 13(2), 14(2), 14(3), 14(4) and 24(3) to *all* registered attorneys – including, in particular, incorporated attorneys and attorney directors – not just registered attorneys who are individuals?

IPTA supports the proposal to have provisions apply to all registered attorneys. IPTA notes that Section 14(1)(a) should also be amended for consistency.

- Should the provisions of Sections 22 and 23 be consolidated with the provisions of Section 21?

IPTA supports the proposal to have Sections 21, 22 and 23 consolidated.

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

- Should the professional conduct standards of the Code be elaborated by the introduction of Guidelines providing guidance in relation to the discharge of the standards, in a manner similar to which the UK Rules provide such guidance?

IPTA supports the introduction of Guidelines to elaborate the conduct standards of the Code. Such Guidelines could be based on IPReg from UK Chartered Institute of Patent Attorneys and Institute of Trade Mark Attorneys.

IPTA Code of Ethics also has Guidelines provided to assist its members in complying with its Code of Ethics. The use of well drafted Guidelines can provide useful information and direction to attorneys.

- If so, which standards should be so elaborated, and what is the guidance that should be provided in relation to them?

The Code presently has 'Notes' in a number of Sections which could be expanded and placed in the Guidelines. Importantly Guidelines regarding how to identify conflicts and potential conflicts of interest and how to resolve conflicts or potential conflicts should be provided.

#### Issue 4: Groups of firms

- Should the Code expressly recognise the possibility of a legal person (whether a publicly listed or privately owned company, an individual or some other legal person), owning and operating a plurality of incorporated attorney practices?

IPTA agrees that the Code should expressly recognise the possibility of a legal person, owning and operating a plurality of incorporated attorney practices.

- Should the Code provide that incorporated attorney practices that are commonly owned are not to be treated (a) as other than separate practices, and (b) as business associates of each other for the purposes of the conflict of interest provisions, so long as they are operated independently?

IPTA supports clarification in the Code regarding incorporated attorney practices that are commonly owned.

- Should the Code provide guidance on what governance and management structures and procedures are required within group scenarios for group practices to be considered as operating independently for the purposes of the Code?

IPTA agrees that the Code and associated Guidelines should provide some guidance including examples of allowable governance and management structures and procedures to attorneys.

As the Board is proposing to recognise legal ownership of a plurality of attorney practices, it seems only reasonable that there be guidance for such arrangements.

- If so, what are the governance and management structures and procedures that should be specified in the guidance?

IPTA suggests that the Guidelines provide direction on management structures and procedures that can be used to ensure that the confidential information of clients of each attorney firm is kept confidential and separate from any other member attorney firm and that the professional operations of the individual attorney firms are managed separately and independently.

The Section 11 of the Code requires an attorney must act in accordance with the law and in the best interests of the attorney's client. IPTA is of the view that these obligations should have priority over any corporate or legal obligations placed on an attorney from his or her ownership or management of a listed or corporate entity owning an attorney firm.

IPTA notes that management structures or governance models / business models are also covered by the *Corporations Act 2001* and *Competition and Consumer Act 2010*.

How prescriptive should be the guidance?

IPTA is of the view that any guidance should be sufficiently prescriptive to cover different ownership strategies in order to ensure that the interests of the clients of attorneys are protected. The Code and associated Guidelines have to be flexible to be able to anticipate other structures that may be adopted in the future.

- Should the Code impose on a commonly owned attorney practice an obligation to disclose the practice's ownership status to prospective and existing clients?

IPTA is of the view that any disclosure obligations should be equally imposed on all attorneys, whether incorporated, unincorporated, commonly owned or not, and should include disclosure of any relevant relationship or interests relating to other attorney businesses associated with IP.

If a client or potential client is fully informed on the relationships between different attorney firms and their corporate structure and ownership, then a client can make an informed decision whether to engage the services of an attorney.

- If so, what is the minimum information about the practice's ownership status that should be disclosed?

IPTA is of the view that the Code should provide an obligation for all attorneys to disclose their practice's ownership status to prospective and existing clients, where relevant.

IPTA suggests that the minimum information provided should be that each commonly owned attorney practice discloses the identity of any other commonly owned attorney or IP practice as well as the name of the corporate entity that owns all of the practices. Disclosure should be on the websites of the commonly owned attorney practices (as noted with the Davies Collision Cave and FPA respective websites).

IPTA suggests Letters of Engagement to new clients also include information on the ownership structure and identify commonly owned attorney firms. Section 13 of the Code could be amended to include this obligation. IPTA notes legal firms are also under an obligation to reveal identities of related parties to their clients so any obligation in this regard should not be considered onerous.

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

- Should the Code's conflict of interest provisions apply to all attorneys equally, whether they are individual attorneys, incorporated attorneys that are not part of a group, or incorporated attorneys that are part of a group (either a publicly listed group or a privately owned group)?

IPTA is of the view that conflict of interest provisions should apply to all attorneys equally.

- If not, which conflict of interest provisions should be limited in their application, to which types of attorney should they be limited, and why?

NA

#### **Issue 6: Double employment**

- Should the Code expressly permit double employment in non-contentious matters so long as the clients provide sufficient consent?

IPTA submits that double employment in non-contentious matters should only be permitted in situations where no confidential information was acquired by the attorney and there is no risk of the attorney providing an unfair advantage to any party in the matter. Under such situations consent should not be required from either party.

IPTA notes that Section 15(1) of the Code relates to double employment in such situations but still requires consent from both parties. IPTA submits that the situations actually covered by Section 15(1) should not require consent from the parties.

Guidance on possible situations where attorneys may or may not act can be found in *Legal Profession Uniform Law Australian Solicitors' Conduct Rules 2015*. The main difference in the Code would be that an attorney cannot act in the same or related matter if the attorney is in possession of confidential information and there was a risk of that confidential information being used to the detriment of another client or former client.

An attorney who is in possession of information which is confidential to a former client where that information might reasonably be concluded to be material to the matter of another client and detrimental to the interests of the former client if disclosed, must not act for the current client in that matter.

If an attorney seeks to act for two or more clients in the same or related matters where the clients' interests are adverse and there is a conflict or potential conflict of the duties to act in the best interests of each client, the attorney must not act.

Unlike solicitors, the Code does not allow attorneys to act in the two situations above by allowing written informed consent to be obtained from the parties and placing undertakings on the solicitors conduct and confidential information. IPTA does not support any broadening of the Code to cover other double employment situations not covered by Section 15(1) of the Code.

As set out below, IPTA recommends that Section 15(1)(b) (obtaining agreement) be removed from the Code.

- If so, what type of consent should the Code specify as being sufficient for this purpose?

There should be no requirement for consent or expansion of the types of work that would require informed written consent under the present Code.

- Should the Code provide guidance on what information must be provided to a client for its consent to be sufficient to permit an attorney to act in a double employment situation?

Not required if consent requirement is removed from the Code.

- If so, what is the information that should be specified in the guidance?

NA

- Should the Code expressly prohibit double employment in contentious matters?

IPTA supports prohibition of double employment in contentious matters

- If so, should the Code provide guidance on what are to be regarded as contentious matters for this purpose?

IPTA supports guidance being provided.

What matters are to be considered contentious matters for this purpose?

Oppositions; IP litigation; ownership disputes (IP Australia, IPONZ and Court actions); re-examination and revocation

- If not, what other safeguards might be implemented to protect clients in contentious matters giving rise to, or likely to give rise to, double employment?

NA

## Issue 7: Resolution of conflicts of interest

- Should the Code apply the obligation to take steps to resolve a conflict of interest to all types of such conflict?

IPTA supports requirement for attorneys to resolve a conflict, noting that there are a number of types of conflicts and the steps required may vary from situation to situation.

- Should the Code provide guidance on what steps an attorney must take to resolve a conflict of interest?

IPTA supports having Guidelines that provide information or directions to attorneys on how to identify and address potential conflicts or conflicts. IPTA notes that it may be difficult to prescribe the steps an attorney must take for all situations.

- If so, what are the steps that should be specified in the guidance?

IPTA looks forward to seeing suggestions from the Board in this regard.

## OTHER ISSUES WITH THE CODE

### Section 15 Conflict of Interest

IPTA notes that Section 15(1) of the Code relates to an attorney dealing with separate parties in the same matter where there is no legal conflict (attorney's knowledge of the client or the matter would not prejudice the attorney's client or provide an unfair advantage to the other person in the matter) but has an obligation (Section 15(1)(b)) on the attorney that would not be required by a solicitor carrying out the same work (obtain agreement from the other person to do the work or provide the assistance). IPTA recommends that Section 15(1)(b) (obtaining agreement) be removed from the Code.

We refer the Board to *Dealer Support Services v Motor Trades Association of Australia* (2014) 318 ALR 507; (2014) 108 IPR 26; [2014] FCA 1065 (6 October 2014). A solicitor could act in this trade mark matter without consent (as there was no legal conflict) whereas an attorney could not have acted under the Code without agreement from all parties. Beach J discussed the meaning of Section 15 of the Code and criticised it as being unclear [44].

### Section 19 Use of Information

IPTA notes that Section 19(2) states that an attorney cannot use confidential information unless certain requirements are met. As attorneys are required to use client confidential information during their day to day practice (drafting patent specifications, etc) IPTA suggests the Section 19(2) be amended along the following lines:

(2) A registered attorney must not without consent use or disclose confidential information which the registered attorney has obtained from or on behalf of:

- (a) a former, current or prospective client; or
- (b) another registered attorney; or
- (c) any other person; or

(d) a company:

(i) which is a client; and

(ii) of which the registered attorney is, or has been, a director, officer or shareholder;

unless the confidentiality is no longer applicable.

IPTA seeks favourable consideration of this suggested amendment.

Thank you for giving IPTA an extended opportunity to comment on the Consultation Paper.

If further information or assistance is required, please contact IPTA.

Yours sincerely



**Trevor J Davies, PhD**

IPTA Vice President

Convenor of Ethics & Disputes Committee