Best Practices for Avoiding Patent Prosecution Malpractice

Malpractice arises from routine occurrences. There is no substitute for being prepared.

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Malpractice concerns for patent practitioners are on the rise. As patents become more valuable and the intricacies of patent practice only continue to grow, the opportunity for mistakes with severe consequences are escalating.

Malpractice concerns come from a variety of different avenues, but there is no substitute for being prepared, highly organized and having systems and policies in place to deal with those events most likely to create problems.

Among other things, this webinar will discuss:

- Do you have a 21st-century docketing system that takes work realities and telecommuting into account, or are you still using Word and a Spreadsheet?
- Obligations of attorneys and firms to have plans in place to handle expected volume of work and to supervise non-attorney staff.
- The biggest issues that give rise to malpractice complaints and best practices to prevent issues from arising before they become problems.
Common Issues Leading to Malpractice Claims

- Fee disputes.
- Missing deadlines.
- Failure to clearly delineate scope of engagement.
- Making decisions without consulting clients.
- Violating a clear duty (i.e., failure to supervise subordinate employees; breach of confidentiality)
- Violating a current standard of care (i.e., after Enfish failure to explain how the invention is an improvement; using only means plus function claims without submitting information on algorithms)

“Minton's legal malpractice claim does not arise under federal patent law. Indeed, for the reasons we discuss, we are comfortable concluding that state legal malpractice claims based on underlying patent matters will rarely, if ever, arise under federal patent law for purposes of § 1338(a). Although such cases may necessarily raise disputed questions of patent law, those cases are by their nature unlikely to have the sort of significance for the federal system necessary to establish jurisdiction.”

“Under Texas law, a plaintiff alleging legal malpractice must establish four elements: (1) that the defendant attorney owed the plaintiff a duty; (2) that the attorney breached that duty; (3) that the breach was the proximate cause of the plaintiff's injury; and (4) that damages occurred.”

“[T]he possibility that a state court will incorrectly resolve a state claim is not, by itself, enough to trigger the federal courts' exclusive patent jurisdiction, even if the potential error finds its root in a misunderstanding of patent law.”

“There is no doubt that resolution of a patent issue in the context of a state legal malpractice action can be vitally important to the particular parties in that case. But something more, demonstrating that the question is significant to the federal system as a whole, is needed. That is missing here.”
In the Matter of SJH (2014)

SJH agreed to draft and file a U.S. nonprovisional application and/or PCT application claiming priority from a prior provisional filed by the client on January 16, 2007.

On January 16, 2008 SJH reviewed the firm’s calendar system, noticed the deadline to file, reviewed documents related to the client’s patent application prepared by another practitioner with SJH’s firm and mistakenly concluded that the provisional application previously filed was directed to a prior version of the client’s invention.

Therefore, SJH saw no basis or value to claim priority to the client’s prior provisional. He directed the firm paralegal to prepare the nonprovisional and PCT application removing any claims to priority from the text of the application and prepare the application for filing after January 16, 2008.

The application was filed on January 18, 2008.

SJH did not communicate with the client in advance of editing and filing the nonprovisional and PCT. Because SJH did not file by January 16, 2008 the client did not have priority to the provisional application, nor benefit to January 16, 2007.

All claims were subsequently rejected.
37 CFR 11.104 – Communication

(a) A practitioner shall:

(1) Promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by the USPTO Rules of Professional Conduct;

(2) Reasonably consult with the client about the means by which the client's objectives are to be accomplished;

(3) Keep the client reasonably informed about the status of the matter;

(4) Promptly comply with reasonable requests for information from the client; and

(5) Consult with the client about any relevant limitation on the practitioner's conduct when the practitioner knows that the client expects assistance not permitted by the USPTO Rules of Professional Conduct or other law.

(b) A practitioner shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.
37 CFR 11.102 – Scope of representation

(a) Subject to paragraphs (c) and (d) of this section, a practitioner shall abide by a client's decisions concerning the objectives of representation and, as required by §11.104, shall consult with the client as to the means by which they are to be pursued. A practitioner may take such action on behalf of the client as is impliedly authorized to carry out the representation. A practitioner shall abide by a client's decision whether to settle a matter.

(b) [Reserved]

(c) A practitioner may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.

(d) A practitioner shall not counsel a client to engage, or assist a client, in conduct that the practitioner knows is criminal or fraudulent, but a practitioner may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good-faith effort to determine the validity, scope, meaning or application of the law.
In the Matter of LT (2013)

LT, a solo practitioner, employed only an office manager and a clerical assistant full-time.

Prior to 2005, LT’s docketing system consisted of handwritten docket entries in a docket book and entries from the docket book on a white board. The white board was updated monthly and included 3 months of data. When an action came in a handwritten line entry was made of the type of action and due date. When action was taken the action taken and response date were entered. If no action was taken the item would remain on the white board for a few months. Thereafter, if no action was taken it was removed from the white board without action ever being taken.

In 2005, LT began using a list in Microsoft Word. The Word listing became the sole docketing system with no back up calendar. There was no table of contents. The entire Word listing was printed monthly. There was no regular inventory of files to verify the integrity of the docket report.

When papers were received from the PTO they were put on his desk. LT relied solely on this manual docketing system for upcoming due dates. He did not have an automated tickler system.

When a patent issued, the clerical assistant entered all fee due dates on the file jacket in handwriting. Dates were also entered into the Word listing. At some unidentified point reminder letters were implemented and sent to clients in advance of due dates. If a client indicated they were going to pay maintenance fees themselves no further action regarding the patent was taken.
LT’s Pattern of Neglect: Suspended 5 years

1. Inadequately staffing his law firm in light of the amount of patent work for which Respondent was responsible;
2. Relying on an unsound docketing system for recording, responding to, and otherwise keeping track of important Office correspondence mailed to him, such as notices of patent expirations;
3. Relying on an unsound calendaring system for keeping track of important Office deadlines, including deadlines for paying maintenance fees
4. Failing to recognize the insufficiency of the staffing of his law office and the ineffectiveness of his docketing and calendaring systems;
5. Not forwarding important Office correspondence to clients;
6. Not training and/or monitoring adequately the employee(s) he placed in charge of maintaining his docketing system and keeping track of important Office correspondence so as to ensure that his employee(s) informed him of all such correspondence on a timely basis; and
7. Not reviewing adequately his calendaring system to ensure that he would not miss important Office deadlines.

37 CFR 11.503 – Non-practitioner assistance

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

(a) A practitioner who is a partner, and a practitioner who individually or together with other practitioners possesses comparable managerial authority in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person's conduct is compatible with the professional obligations of the practitioner;

(b) A practitioner having direct supervisory authority over the non-practitioner assistant shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the practitioner; and

(c) A practitioner shall be responsible for conduct of such a person that would be a violation of the USPTO Rules of Professional Conduct if engaged in by a practitioner if:

   (1) The practitioner orders or, with the knowledge of the specific conduct, ratifies the conduct involved; or

   (2) The practitioner is a partner or has comparable managerial authority in the law firm in which the person is employed, or has direct supervisory authority over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.
Engagement Letters

“Whether a lawyer’s actions meet the standard of care is determined in the context of what the lawyer was asked to do. In many cases there is no dispute that the alleged mistake occurred on a task that the lawyer was engaged to handle. But in a surprising number of cases there is disagreement over the scope of the engagement.

The lawyer has an important tool to protect against this kind of dispute: the engagement letter.”

_A Primer on Legal Malpractice for Patent Lawyers_
In the Matter of JMS (2017)

JMS provided limited scope patent services for a client on a project basis instead of providing complete application preparation and prosecution services throughout the pendency of the application.

JMS received a Final Office Action on November 21, 2013 and failed to report it to the client until May 26, 2015, one day after the client inquired about the status of the application.

JMS failed to report the application being abandoned on July 1, 2014, and took no action to revive the application.

JMS stated to OED that he was providing services on a limited scope project basis, but he did not withdraw as a practitioner of record in the application at the termination of the practitioner-client relationship at the end of each project. Thus, he continued to represent to the USPTO that he was the practitioner of record.
37 CFR 1.34 Acting in a representative capacity

“When a patent practitioner acting in a representative capacity appears in person or signs a paper in practice before the United States Patent and Trademark Office in a patent case, his or her personal appearance or signature shall constitute a representation to the United States Patent and Trademark Office that under the provisions of this subchapter and the law, he or she is authorized to represent the particular party on whose behalf he or she acts. In filing such a paper, the patent practitioner must set forth his or her registration number, his or her name and signature. Further proof of authority to act in a representative capacity may be required.”

MPEP 402.06: Attorney or Agent Withdraws

The Office will not approve requests from practitioners to withdraw from applications where the requesting practitioner is acting, or has acted, in a representative capacity pursuant to 37 CFR 1.34. There is no need for the practitioner to obtain the Office's permission to withdraw from representation. However, practitioners acting in a representative capacity, like practitioners who have a power of attorney in the application, remain responsible for noncompliance with 37 CFR 1.56, as well as 37 CFR 11.18, with respect to documents they file.
JMS Remedial Measures: Public Reprimand

1. Accepted responsibility for his misconduct.

2. Implemented a computer-based docketing system which among other features includes: (a) automatically doockets statutory due dates (including extensions) upon entry of the mailing date of an action, (b) sends email reminders, and (c) for trademark applications, automatically doockets filings and monitors status changes by communicating with the USPTO online systems.

3. Contracted to have a document retention system to enhance his firm’s ability to organized, control and access documents and files.

4. Hired a person to perform secretarial/paralegal tasks.

5. Reimburse the former client for the petition to revive fee.

6. Agrees to abide by 37 CFR 11.102(c) and 37 CFR 11.116.

https://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0922_DIS_2017-07-21
37 CFR 11.102(c) – Scope of representation

A practitioner may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.

37 CFR 11.116 – Declining or terminating representation

(d) Upon termination of representation, a practitioner shall take steps to the extent reasonably practicable to protect a client's interests, such as giving reasonable notice to the client, allowing time for employment of other counsel, surrendering papers and property to which the client is entitled and refunding any advance payment of fee or expense that has not been earned or incurred. The practitioner may retain papers relating to the client to the extent permitted by other law.

Given the standard of review on summary judgment, the Wisconsin Supreme Court held that AccuWeb demonstrated genuine issues of material fact sufficient to preclude the summary judgment regarding whether Foley & Lardner were responsible for the premature expiration of AccuWeb’s U.S. Patent No. 5,072,414.

AccuWeb retained Engstrom (an attorney at Foley) as its patent attorney in 1989. Shortly thereafter, Engstrom notified AccuWeb that he had a conflict of interest on the ‘414 patent. As a result, AccuWeb retained Seay, a Quarles attorney, to complete the work on the ‘414 patent's application. Engstrom continued to be AccuWeb's patent attorney on other matters.

The ‘414 patent issued in 1991. AccuWeb had to pay a maintenance fee to prevent the patent by December 10, 1995. The patent expired for failure to pay the maintenance fee.

AccuWeb sued the Respondents for legal malpractice and breach of contract claiming the patent lapsed prematurely because the Respondents failed to remind AccuWeb of its responsibility to remit the required patent maintenance fees in a timely manner.
“Dresser argues for a finding of indefiniteness by pointing to the undisputed fact that large portions of the source code are missing from Schedule A. The various code modules are listed in alphabetical order in the '282 patent at columns 31-47. However, in the actual code section of the patent, at column 1341, the source code ends part of the way through the "P" or "pump" section. Thus, a portion of the "P" section, all of the "S" section (for switches) and the "T" section (for touch) are missing. Dresser contends that the patentee did not provide flow charts, mathematical formulas, or other detailed descriptions of the algorithms at issue; therefore, Dresser maintains that Touchcom is stuck with the source code (or lack thereof) that is actually appended to the patent. For its part, Touchcom asserts that the patent discloses sufficient corresponding structure. Ultimately, the court is, persuaded by Dresser's arguments.”
Areas of Concerns

Areas client identify as problem areas/concerns:

**Creating efficiencies and improving processes**: Having a central team, standardized processes, consistent process for updates/improvements, evaluating steps for further efficiencies.

**Resourcing issues**: Finding and keeping the right talent, being able to manage and maintain that without losing key personnel, holding team members accountable and being able to track productivity.

**Increasing quality/accuracy and reducing risk**: Implementing a quality review process that is consistency used, results are tracked, results are analyzed, and the exercise as a whole is used for additional training/development.
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