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**THE RISKS AND RESPONSIBILITIES OF ATTORNEYS AND FIRMS PROSECUTING PATENTS FOR  
DIFFERENT CLIENTS IN RELATED TECHNOLOGIES**

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**Table of Contents**

I.	Introduction	332
II.	Applicable Law	334
	A. The PTO Code	334
	1. Conflicts of Interest	335
	2. Client Confidentiality	335
	3. Disclosure and Candor to the PTO	336
	B. The Section 1.56 Duty of Candor	337
	C. Substantive Patent Law	337
III.	Ethical Issues Facing the Solo Practitioner Who Represents Multiple Patent Applicants	338
	A. Brief Overview of Patent Prosecution and the Disclosure Obligation	338
	B. Does an Attorney Who Becomes Aware of a Client's Pending Application Have a Duty to Disclose That Application to the PTO if It Is Material to the Patentability of a Second Client's Application?	340
	1. The District Court's Decision	340
	2. The Federal Circuit's Decision	340
	3. Analysis of the Judges' Rationales	342
	(a)M. P.E.P. § 2001.06(b) Does Not Apply to Different Clients	342
	(b)The Duty of Candor Cannot Be Circumvented by a Conflict of Interest	343

	4. Conclusion	344
IV.	Multiple Attorneys in the Same Firm Representing Multiple Clients Face Multiple Risks	345
	A. Imputed Disqualification Applies to Determine Conflicts of Interest Under the PTO Code	346
	B. Imputation of Knowledge from Attorneys Affiliated with an Attorney Prosecuting a Patent Should Not Be Permitted to Determine Inequitable Conduct	348
	C. Chinese Walls May Create Circumstances that Justify Finding an Intent to Deceive the PTO	352
V.	Conclusion	353

### **\*332 I. Introduction**

A person who believes he has invented something may apply for a patent by submitting an application to the United States Patent and Trademark Office (PTO).<sup>1</sup> During the PTO's 1998 fiscal year, more than 240,000 people filed nearly a quarter million patent applications.<sup>2</sup> Patent applicants can prosecute applications on their own, with the assistance of a registered patent agent, or with the assistance of an attorney who is registered to prosecute patents before the PTO.<sup>3</sup> This article analyzes the ethical and liability issues that may arise when an attorney or law firm agrees to prosecute patents in the same area of technology for more than one client at the same time.

Patent prosecution is extremely complicated and can involve arcane practices. Thus, the attorney-client relationship involved in patent prosecution is unique:

The practice of patent law is one of the most complex and difficult today. The proceedings and forms not only require an extensive knowledge of the legal field but also considerable experience in engineering.

...In conjunction with the inherent difficulty of the practice, the patent attorney has greater control over the processing of the application and the determination of the extent of the rights granted under the patent than is found in any other attorney-client relation.<sup>4</sup> \*333 In addition to requiring the attorney to know the intricacies of patent law as well as the details of the engineering or science involved in the application, the attorney's agreement to represent the client in prosecuting a patent application imposes a number of duties on the attorney. The duty that will be primarily examined here is that every person substantively involved in the prosecution of a patent application has a duty to disclose to the PTO information material to the patentability of the invention claimed in that application.<sup>5</sup> Thus, merely hiring an attorney to prosecute a patent expands the duty of disclosure: Without an attorney, only the applicant's knowledge is at issue. Upon hiring an attorney, however material information known to the attorney, even if not known to the applicant, must be disclosed by the attorney and anyone else involved in the patent prosecution. The failure of any person substantively involved in prosecuting a patent application to disclose all information known to the person can result in the patent later being held unenforceable, even if the applicant was unaware of the information or of its importance to the question of whether the invention is patentable.<sup>6</sup>

The expansion of the duty to disclose is significant because of the practical realities of prosecuting patent applications. First, attorneys who prosecute patents typically do so only within the technological fields they are familiar with. Thus, attorneys with electrical engineering degrees typically prosecute patent applications in the field of their expertise, rather than applications outside the realm of their knowledge, such as those involving biotechnology. Because of prior experience in prosecuting patents in related areas, an attorney might know of additional patents, articles, and information that may be material to the patentability of the invention that the applicant is unaware of.

Second, unless the attorney prosecutes patents solely for one client, the attorney may be aware of information in a second client's patent application that is material to the first client's application. Suppose, for example, that the attorney is prosecuting two patent applications for two different clients, and the applications disclose inventions that are each material to the patentability of the other. Does the attorney have a duty to disclose the information contained in one client's application to the PTO while prosecuting the other client's application?

Third, attorneys typically practice in firms with many attorneys prosecuting patents for many distinct clients. As a result, other attorneys directly associated with a prosecuting attorney may know of additional information material to patentability of a patent application that neither the prosecuting attorney nor the applicant are aware of. Does each attorney in a firm presumptively know all information known to every other attorney in the firm, either for purposes of conflicts of interest or for determining whether inequitable conduct has occurred?

\*334 The conflicts of interest that can result when attorneys prosecute patents for different clients in related technologies is the subject of a split decision by the United States Court of Appeals for the Federal Circuit (“Federal Circuit”), and leaves many key issues open to dispute.<sup>7</sup> In addition, some firms are creating “Chinese walls” or “ethical screens,” which result in a myriad of unaddressed issues. For example, a firm that sets up a Chinese wall instructs its attorneys who are prosecuting patents for different clients in related areas not to discuss the applications among themselves in order to avoid triggering a disclosure obligation to the PTO.

This article analyzes: (1) Whether an attorney who is aware of one client’s pending application has a duty to disclose that application to the PTO when it is material to the patentability of a second client’s application; (2) Whether the knowledge of attorneys practicing in the same firm is imputed to all attorneys in the firm for the purpose of (a) determining the existence of conflicts of interest, or (b) fulfilling the duty of disclosure to the PTO; and (3) Whether the creation of a Chinese wall or ethical screen within a firm is an effective means to (a) prevent conflicts of interest among attorneys in the same firm, or (b) preclude the likelihood that attorneys in a firm prosecuting patents for different clients in related technologies must disclose all material and confidential information known to each attorney.

## II. Applicable Law

### A. The PTO Code

The Patent and Trademark Office Code of Professional Responsibility (“PTO Code”)<sup>8</sup> governs “solely the practice of patent, trademark, and other law before the Patent and Trademark Office.”<sup>9</sup> Thus, for example, the PTO Code applies in opposition and interference proceedings, as well as in the typical ex parte prosecution.<sup>10</sup>

The PTO Code likely preempts all state law governing attorney conduct during prosecution, since it preempts state law “to the extent necessary for the Patent and Trademark Office to accomplish its Federal objectives.”<sup>11</sup> Consequently, the PTO Code governs the conduct of attorneys while they prosecute patents to the exclusion \*335 of traditional state regulations-- for example, through licensing--to the extent necessary for the PTO to meet its objectives.

The three ethical principles codified in the PTO Code that are particularly relevant to attorneys who prosecute patents for multiple clients include: (1) rules governing conflicts of interest; (2) rules protecting client confidentiality; and (3) rules requiring disclosure and candor to the PTO.

### 1. Conflicts of Interest

The relevant provision of the PTO Code governing conflicts of interest provides:

(a) A practitioner shall decline proffered employment if the exercise of the practitioner’s independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(b) A practitioner shall not continue multiple employment if the exercise of the practitioner’s independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitioner’s representation of another client, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(c) In the situations covered by paragraphs (a) and (b) of this section a practitioner may represent multiple clients if it is obvious that 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.<sup>12</sup>

## 2. Client Confidentiality

The PTO Code requires an attorney to preserve “the confidences and secrets of a client.”<sup>13</sup> The term “confidences” is defined as “information protected by the attorney-client or agent-client privilege under applicable law.”<sup>14</sup> The term “[s]ecret” refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client.”<sup>15</sup> The PTO Code prohibits revealing confidences or secrets, or using them to the disadvantage of the client, or to the advantage of the attorney or a third person, unless the client consents.<sup>16</sup>

\*336 The PTO Code does permit, but does not require, revelation of confidences under specific circumstances, including:

- (1) Confidences or secrets that affect the client, but only after full disclosure to and the consent of the client;
- (2) Confidences or secrets that may be disclosed under the Disciplinary Rules or as required by law or court order;
- (3) Confidences or secrets of a client intending to commit a crime if the information is necessary to prevent the crime.<sup>17</sup>

## 3. Disclosure and Candor to the PTO

Several provisions of the PTO Code require honesty and full disclosure, and thus represent rules that would permit an attorney to disclose client confidences to the PTO.<sup>18</sup> Foremost, it is “misconduct” for an attorney to “[e]ngage in conduct involving dishonesty, fraud, deceit, or misrepresentation.”<sup>19</sup> Such conduct is specifically defined to include “[k]nowingly giving false or misleading information or knowingly participating in a material way in giving false or misleading information [to the PTO],”<sup>20</sup> as well as “[k]nowingly violating or causing to be violated the requirements of [37 C.F.R. § 1.56].”<sup>21</sup>

Thus, on its face the PTO Code essentially, if repetitiously,<sup>22</sup> requires the attorney to comply with the substantive duty of candor set forth under 37 C.F.R. § 1.56. Consequently, an analysis of Rule 1.56 should answer what is necessary for an attorney to satisfy the disclosure requirements of the PTO Code. In other words, since Rule 1.56 determines what must be disclosed to the PTO, if Rule 1.56 is not violated, then neither is the PTO Code.

Taken together, the disclosure requirements and the duty of confidentiality permit an attorney to disclose client “confidences” and “secrets” when it is necessary to fulfill the attorney’s duty of candor under Rule 1.56. While the attorney clearly is not required to disclose client confidences, the PTO Code just as clearly prohibits the attorney from withholding information required to comply with Rule 1.56 from the PTO. If an attorney cannot disclose client confidences or secrets because, for \*337 example, the client refuses to give the attorney permission to do so, but the attorney must disclose the information in order to avoid committing “misconduct” by breaching the section 1.56 duty of candor, the PTO Code requires an attorney to withdraw from the representation.

### B. The Section 1.56 Duty of Candor

The duty of candor owed by all persons substantively involved in the prosecution of patent applications is contained in 37 C.F.R. § 1.56. Section 1.56 provides in part:

A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.<sup>23</sup>

Defining the contours of the duty of candor is beyond the scope of this article. However, all persons involved in the merits of prosecuting an application--excluding clerical workers and the like--have a duty to disclose information that a reasonable examiner would consider important in determining whether the claimed invention is patentable. For example, this duty would include disclosing to the examiner the closest piece of prior art that the person is aware of, and can also include other relevant information, such as sales or offers for sale.

### **C. Substantive Patent Law**

Two statutes are of particular relevance to the ethical obligations of prosecuting attorneys. First, under 35 U.S.C. § 122, patent applications must “be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.”<sup>24</sup> This provision is significant because the mere existence of a patent application does not necessarily mean it is “confidential” client information i.e., it is not privileged, but because of this statute, a pending patent application typically constitutes “secret” client information.

Second, a violation of 37 C.F.R. § 1.56 can constitute inequitable conduct--a form of unenforceability--that by statute, is an affirmative defense to patent infringement.<sup>25</sup> To prove inequitable conduct, the accused infringer must show by \*338 clear and convincing evidence that a person involved with the prosecution of the patent made an “affirmative misrepresentation of a material fact, [failed] to disclose material information, or [submitted] false material information, coupled with an intent to deceive.”<sup>26</sup> If just a single instance of inequitable conduct is proven, then the entire patent is deemed unenforceable, and therefore, is worthless. Thus, a patent attorney’s failure to comply with the duty of candor can constitute a complete defense to the enforcement of the client’s patent.

## **III. Ethical Issues Facing the Solo Practitioner Who Represents Multiple Patent Applicants**

An attorney cannot undertake or continue to represent a client when doing so would violate the PTO Code.<sup>27</sup> It is clear that an individual attorney could not prosecute competing patent applications on the same invention for different clients, at least not without client consent, since the attorney would plainly be “representing differing interests.”<sup>28</sup> As discussed below, an attorney also cannot represent one client if during the course of that representation the attorney is required to disclose information to the PTO that is a confidence or secret of a second client without the consent of the second client.

### **A. Brief Overview of Patent Prosecution and the Disclosure Obligation**

As noted above, patent prosecution is an ex parte confidential process, conducted without the involvement or knowledge of anyone except the PTO, the \*339 applicant and the applicant’s agents. After the PTO receives a patent application, the application is assigned to one of the many hundreds of “examiners” employed by the PTO.<sup>29</sup> Each examiner specializes in a particular area of technology, and therefore is familiar with the state of the art in that particular field.

After the application is assigned, the examiner reviews (or examines) the application to determine whether it discloses a patentable invention.<sup>30</sup> To be patentable, an invention must be new, non-obvious, and useful.<sup>31</sup> To determine whether an invention is new and non-obvious, the examiner must compare the disclosed invention to the “prior art.”<sup>32</sup> The examiner also searches the PTO records for prior art and compares the prior art found to the claims in the patent application.<sup>33</sup>

A patent applicant has no obligation to search the prior art to determine whether the disclosed invention is in fact new, useful, and non-obvious. By hiring an attorney to prosecute the patent application, the applicant necessarily expands the scope of the duty of disclosure regarding the application to the PTO to include all material information known to the attorney. In most instances, this duty simply involves disclosing prior art to the PTO that the attorney is actually aware of. By definition, prior art is public information; the fact that an attorney knows this public information does not make the information privileged or confidential. Therefore, if an attorney prosecuting a patent application on behalf of one client is aware of public information that is material to that application, the attorney must disclose the information even if the attorney became aware of the information while representing another client. Public information normally does not become “secret” or “confidential” merely because an attorney learns of it during the course of representing a client.

However, troubling issues arise when the information known by the attorney is “secret,” as for example, one client of an attorney has disclosed to the lawyer information material to another client’s application. To fulfill the attorney’s duty of candor to the PTO, the attorney must disclose that information; but to fulfill the attorney’s duty of confidentiality to the second client, the attorney must keep the information confidential. Thus, the conundrum: Failing to disclose the information could result in unenforceability of the first client’s patent, while disclosing the information would breach the attorney’s duty of confidentiality to the second client.

**\*340 B. Does An Attorney Who Becomes Aware of a Client’s Pending Application Have a Duty to Disclose That Application to the PTO if It Is Material to the Patentability of a Second Client’s Application?**

**1. The District Court’s Decision**

In *Molins PLC v. Textron, Inc.*,<sup>34</sup> an attorney represented two clients, both of whom had applications pending before the PTO at the same time. The district court held that the first client’s patent was unenforceable because the attorney had failed to disclose a pending application of the attorney’s second client, which was material to patentability of the first client’s application.<sup>35</sup> The district court held that the attorney’s failure to disclose the co-pending application violated M.P.E.P. § 2001.06(b), which provides that the duty of disclosure includes the “duty to bring to the attention of the examiner ... information within [the applicant’s] knowledge as to other co-pending United States applications which are ‘material to the examination’ of the application in question.”<sup>36</sup>

The district court reasoned that this provision required the attorney to disclose all co-pending applications of the attorney’s clients that are material to the examination of another client’s application. As a result of the attorney’s failure to disclose the co-pending application during prosecution, the first client’s patent was held unenforceable due to inequitable conduct.<sup>37</sup>

**2. The Federal Circuit’s Decision**

On appeal, a three-judge panel of the Federal Circuit split both on the result and the rationale set forth in the district court’s opinion. Judge Nies’ dissent stated that she would have affirmed the district court’s determination that the patent was unenforceable because the attorney’s “representation of clients with conflicting interests provides no justification for deceiving the PTO. Ethics required him to withdraw.”<sup>38</sup> Thus, according to Judge Nies, an attorney who knows that one client’s application is material to the patentability of another client’s application is required under section 2001.06(b) of the M.P.E.P. to disclose that information to the PTO or the first client’s patent will be unenforceable. Judge Nies concluded that the co-pending applications were material information, and thus the district court correctly held that the patent at issue was unenforceable.<sup>39</sup>

**\*341** However, Judge Newman, concurring in part, and Judge Lourie formed the majority on this issue. The majority opinion reasoned:

The position in which [the attorney] placed himself was one fraught with possible conflict of interest because [the attorney’s] dual 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. Whether or not there was a conflict of interest, however, is not before us, and we express no opinion thereon. Nor do we express any opinion regarding the apparent conflict between an attorney’s obligations to the PTO and the attorney’s obligations to clients.<sup>40</sup>

The majority reversed the district court, holding that the co-pending application was not material. Judge Lourie concluded that the co-pending application was not material because the undisclosed application was cumulative to a patent that had been brought to the examiner’s attention.<sup>41</sup> While concurring in the result, Judge Newman pointed out that section 2001.06(b) of the M.P.E.P. did not apply in this case because the applications were owned by different applicants.<sup>42</sup> Judge Newman also stated that the court should not have reached the issue of whether the application was cumulative with the patent that had been brought to the examiner’s attention because there was no duty to disclose the application in the first instance. Judge Newman reasoned:

The majority appears to assume that [the attorney] was required to disclose information concerning [the applicant's] pending application to the PTO, but for the fact that this subject matter was cumulative .... I do not see that [the attorney] had such an obligation. Indeed, his obligation to preserve the confidentiality of his client [ ] was absolute. [The attorney] had neither the authority nor obligation to breach the confidentiality of that client's pending application, on behalf of a different client.

...[Section] 2001.06(b) does not reach the confidential patent application that an entirely unrelated client happened to entrust to the same lawyer. An attorney's ethical obligations to each client are not erased when a possible conflict occurs in the PTO. That privilege is the client's not the lawyers. The PTO rules can not be interpreted to require otherwise. ... I stress that regulations in the M.P.E.P. can not override an attorney's obligation to preserve the confidences of the client. Thus, although I share the conclusion that there was no breach of [the attorney's] duty to the PTO, I reach that conclusion not because of the substantive differences between the [first client's] and [second client's] subject matter, but because [the attorney] and [[the second client] could not have been charged with improper behavior and the consequences thereof, simply because [the attorney] respected [the first client's] confidences.<sup>43</sup> \*342 Judge Newman emphasized that disclosure of the co-pending application by the attorney would have been "contrary to the PTO Code of Professional Responsibility," because the existence of the application was a confidential matter.<sup>44</sup>

### 3. Analysis of the Judges' Rationales

Molins has been the subject of considerable analysis,<sup>45</sup> no doubt because as patent attorneys become "more technically specialized they prosecute more closely-related patent applications ...."<sup>46</sup> As discussed below, much of the analysis set forth in Molins is largely irrelevant and incorrect.

#### a. M.P.E.P. § 2001.06(b) Does Not Apply to Different Clients

Judge Newman correctly concluded that section 2001.06(b) does not require a patent attorney to disclose unrelated patent applications of different clients during prosecution. The thrust of section 2001.06(b), as well as related sections, is to require the disclosure of co-pending applications of the same inventor or assignee, not of unrelated clients. The example provided in section 2001.06(b) of the M.P.E.P. illustrates that the duty to disclose co-pending applications specifically relates to applications owned by the same inventor.<sup>47</sup> Likewise, section 2004, which section 2001.06(b) refers to, provides:

Do not rely on the examiner of a particular application to be aware of other applications belonging to the same applicant or assignee. It is desirable to call such applications to the attention of the examiner even if there is only a question that they might be "material to patentability" of the application the examiner is considering. It is desirable to be particularly careful that prior art or other information in one application is cited to the examiner in other applications to which it would be material. Do not assume that an \*343 examiner will necessarily remember, when examining a particular application, other applications which the examiner is examining, or has examined.<sup>48</sup>

Finally, at no time does the M.P.E.P. suggest that chapter 2000 is designed to ensure that applications of different clients being prosecuted by the same attorney are disclosed; it only says that co-pending applications by the same applicant should be disclosed. If the M.P.E.P. intended to codify a duty to disclose co-pending applicants of different clients, the PTO would have likely provided a hypothetical of an illustrative pattern. Instead, the M.P.E.P. never suggests that such a duty exists.

#### b. The Duty of Candor Cannot Be Circumvented by a Conflict of Interest

Judge Newman's statement that the duty of disclosure required by the M.P.E.P. can never trump the obligation of confidentiality owed to a client goes too far, and also demonstrates that the entire discussion of whether section 2001.06(b) creates a duty to disclose co-pending applications of different clients is irrelevant to the ultimate question of client confidentiality. Judge Nies correctly concluded that an attorney who possesses confidential information of one client that must be disclosed to prosecute another client's application, must withdraw from representation.

A client's request to keep information "secret" cannot trump an attorney's duty of candor to the PTO. A simplified example based on Molins illustrates this point. Suppose, for example, that a single client with two related and co-pending applications asks the attorney not to disclose one of the applications during the prosecution of the other application. Clearly, this request, in light of the confidentiality provisions of 35 U.S.C. § 122, would make the co-pendency a "secret," which the attorney cannot reveal. However, the attorney also has an explicit obligation to disclose the second application under M.P.E.P. § 2001.06(b), which inarguably requires disclosure of material, commonly owned applications. An attorney faced with this dilemma cannot go forward with prosecution; instead, under the PTO Code, the attorney's only choice is to withdraw.<sup>49</sup>

The same rule should apply when the confidential information belongs to different clients; the rules make no distinction that would permit an attorney to commit inequitable conduct on behalf of one client in order to protect the confidences of another. Thus, as the Restatement provides, if "the attorney cannot perform [the attorney's] duty to the second client without disclosing such information or using it to the disadvantage of the first, [the attorney] should decline to act."<sup>50</sup>

#### **\*344 4. Conclusion**

Judge Nies' view is correct. A patent attorney aware of material information may not violate the attorney's duty to disclose merely because the information is privileged, confidential, or "secret." Instead the attorney must either disclose the information or withdraw from representation. Judge Newman's conclusion that the duty of confidentiality does not give way to the duty of candor is inconsistent with the PTO's understanding of its own policies and is completely at odds with the PTO Code.<sup>51</sup>

Significantly, no issue of "imputation" of knowledge from the attorney to the client is required to hold a patent unenforceable because of information known only to the attorney, since the attorney has an independent duty of disclosure to the PTO.<sup>52</sup> This lack of imputation of knowledge protects attorneys and clients from innocent liability. For example, if an attorney is aware of a fact, but only the client is aware of information that renders that fact material, the client's knowledge cannot be combined with the attorney's knowledge to create actual knowledge of a material fact. It is also likely that this lack of imputation of knowledge eliminates antitrust liability that can arise from knowingly seeking to enforce an invalid or unenforceable patent, because the client must have actual knowledge that the patent is invalid or unenforceable.

However, a client's knowledge will not alter the fact that an attorney knows material information. If the PTO's intent were that only material information known to the client be submitted to fulfill the duty of candor, the PTO would have defined \*345 the scope of individuals covered by Rule 1.56 to include only inventors and assignees. Alternatively, the PTO would have defined the scope of "information" to exclude information known only to attorneys gained during the course of representation of other clients. The PTO did neither.

For these reasons, while the result of the majority in Molins is correct, M.P.E.P. § 2001.06(b) is irrelevant to that conclusion. An attorney's knowledge of material information must be disclosed, notwithstanding the fact that the attorney may have gained that knowledge while representing another client who wants to keep the information "secret." If the attorney may not disclose the secret information, the attorney's only recourse is to withdraw from the representation because the attorney is unable to fulfill the duty of candor. The duty of candor does not "trump" the duty of confidentiality. Therefore, the attorney is not required to disclose the information. However, the attorney must withdraw from representation of both clients.

#### **IV. Multiple Attorneys in the Same Firm Representing Multiple Clients Face Multiple Risks**

Many attorneys practice in firms with other attorneys. A central problem that these attorneys face is that if one attorney learns confidential information about another firm client that must be disclosed to the PTO, the attorney's options are (1) to ask the firm client for permission to disclose the confidential information to the PTO and the attorney's client, or (2) to withdraw from representing the attorney's client. The attorney does not have the option of continuing to prosecute the patent application without disclosing the attorney's actual material knowledge, even though this information is the secret or confidential information of another one of the firm's clients.

This section analyzes the ethical issues that arise when different attorneys in the same firm are prosecuting patent applications for different clients at the same time. For example, two different attorneys in the same firm are prosecuting patent applications for two different clients. Attorney Abby knows confidential client information that is material to a patent



application being prosecuted by attorney Bill. Several questions arise from this hypothetical. First, Abby would be disqualified from prosecuting the patent application of Bill's client because Abby would not be able to disclose the confidential material information. Should this disqualification be imputed to Bill for the purpose of determining conflicts of interest? Can Abby and Bill's firm create a Chinese wall to avoid imputed disqualification? Second, and presuming that it is ethical for Bill to go forward with prosecution of his client's application without disclosing the information known to Abby, will the resulting patent prosecuted by Bill be held unenforceable because Abby's knowledge should have been imputed to Bill? To avoid acquiring actual knowledge of Bill's clients, can attorneys at the firm establish a Chinese wall to avoid discussing patent applications prosecuted for different clients in related fields?

#### **\*346 A. Imputed Disqualification Applies to Determine Conflicts of Interest Under the PTO Code**

The PTO Code follows the general principle of imputed disqualification: If one attorney in a firm cannot undertake the representation, no other attorney affiliated with that firm may do so either.<sup>53</sup> This issue is called vicarious, or imputed, disqualification. Most ethical rules, like the PTO Code, impute one attorney's disqualification to all attorneys affiliated with that firm.<sup>54</sup> The doctrine of imputed disqualification treats the entire firm as if it were a single lawyer. As a result, if one attorney in a firm cannot represent a client in an ethical manner, all of the other attorneys in the firm are precluded from representing that client.<sup>55</sup>

Thus, a critical issue under the PTO Code, is whether an individual attorney's representation creates a rule violation--if so, it is then imputed to other attorneys in the firm. It is clear under the PTO Code that if one attorney in a firm were prosecuting a patent application on an invention for a client, that attorney could not agree to prosecute a patent application covering the same invention for a different client, since only client would be entitled to the patent for the particular invention, and so the attorney would plainly be representing different interests. Under the PTO's rule of vicarious disqualification, no attorney in the firm could represent the second client in prosecuting that patent. Likewise, in light of the discussion above concerning Molins, if one attorney in a firm is prosecuting a patent application on behalf of a client and is aware of information that should be disclosed, but is not in a position to do so because it is the confidential information of another client who will not consent to its disclosure, no other attorney in the firm may prosecute that patent application.<sup>56</sup> The conflict is imputed to all of the attorneys in the firm.

Certain limitations on imputation disqualification exist in the PTO Code. If the attorney who possesses the information has no knowledge or involvement with the prosecution of the patent application to which that information is material, no conflict arises.<sup>57</sup> The limitation also applies when the attorney prosecuting the patent application is not aware that another attorney in the firm possesses information material to the patent prosecution. As a result, there is no conflict to impute to the attorneys in the firm: whether a violation under Rule 1.56 occurs depends upon whether the prosecuting attorney has actual knowledge of material information. Therefore, the information cannot first be imputed to the attorney to determine whether his representation would violate the PTO Code by way of violation of Rule \*347 1.56, since that would effectively impute knowledge for purposes of Rule 1.56, which is incorrect as a matter of law, as shown below.<sup>58</sup>

But there are still grey areas. For example, where the attorney possessing the information, knows that it is material to an application being prosecuted by another attorney in the firm, or where the attorney prosecuting the patent application knows that another attorney in the firm possesses material information (but does not know what it is), a closer question is presented. A disciplinary violation could occur if the attorney is deemed to be "circumventing" the disclosure requirements of section 1.56;<sup>59</sup> or if the attorney is deemed to be "knowingly participating in a material way in giving false or misleading information" to the PTO;<sup>60</sup> or if the attorney is deemed to be engaging in conduct that either "is prejudicial to the administration of justice," or which involves "misrepresentation," or which "adversely reflects on the practitioner's fitness to practice before the PTO."<sup>61</sup> Significantly, these rules may be violated unknowingly: Unlike Rule 1.56,<sup>62</sup> they do not require that the attorney act with scienter, or even knowingly.<sup>63</sup> For the most part, if the attorney prosecuting a patent application does not have actual knowledge of information material to the prosecution of the patent application, nondisclosure of this information does not violate the PTO Code, even if another attorney in the firm is aware of the information.

Assuming attorneys conclude that other attorneys within the firm may have knowledge of information material to applications being prosecuted by other attorneys in the firm, should they reduce the likelihood that a conflict will be created by having the prosecuting attorney learn that information through casual conversation or otherwise by establishing a Chinese wall? The PTO Code has one exception to vicarious disqualification:

If a practitioner is required to decline employment or to withdraw from employment under a Disciplinary

Rule, no partner, or associate, or any other practitioner affiliated with the practitioner's firm, may accept or continue such employment unless otherwise ordered by the Director or Commissioner.<sup>64</sup>

Prior to adopting this rule, the PTO, in administrative proceedings, had sometimes permitted law firms to establish internal screens to avoid disqualification, \*348 and those administrative decisions apparently constitute an "order" by the Director or Commissioner. This mechanism thus provides a way for law firms to avoid imputed disqualification during administrative proceedings before the PTO.<sup>65</sup>

In light of this provision, where one attorney in a firm is prosecuting a patent and actually knows information material to the application that is confidential to another client, and that client refuses to permit disclosure to the PTO, then the firm may not unilaterally establish a Chinese wall and permit a different attorney in the firm to continue prosecution of the application. The rule requires firms to disqualify themselves when one attorney has a conflict, and allows an exception only upon order from the PTO.<sup>66</sup> Because it expressly requires an order from the PTO, by implication this provision eliminates the ability of a firm to go forward where one of its attorneys is disqualified, requiring the firm to obtain an order from the Director or Commissioner to do so.<sup>67</sup> Therefore, in light of *Molins*, if one attorney in a firm knows of information and knows that it ought to be disclosed to the PTO to meet the duty of candor in prosecuting the patent application of another attorney's client, the entire firm is disqualified-- absent an order from the PTO permitting the representation.

Screening however, can be helpful to avoid inadvertent disclosure of information to a prosecuting attorney. While nothing in the PTO Code authorizes their use to eliminate actual conflicts of interest, screening plainly can be used to reduce the likelihood that they will arise. Nothing in the PTO Code prevents a firm from establishing Chinese walls around the attorneys who do patent prosecution, to avoid them learning, or disclosing information. However, as noted in the next section, the use of screens creates issues concerning inequitable conduct.

## **B. Imputation of Knowledge from Attorneys Affiliated with an Attorney Prosecuting a Patent Should Not Be Permitted to Determine Inequitable Conduct**

Clearly, a person substantively involved in prosecuting a patent application who has "actual knowledge" of facts material to that application and who fails to disclose that information to the PTO will result in the patent being held unenforceable. It is also clear, on the opposite end of the spectrum, that a person has no duty to investigate the prior art for material information; i.e., proof of actual knowledge is required, rather than proof that the person could have or should have known the information. Thus, merely because one attorney in a firm knows a fact material to \*349 the prosecution of a patent application currently being prosecuted by another attorney in that firm is of no consequence to the enforceability of the resulting patent, even if the first attorney's knowledge makes it unethical for the firm to prosecute the application.

Unfortunately, principles of imputed knowledge have been applied to find inequitable conduct. Under this approach, knowledge of each attorney in a firm will be imputed to every other attorney in the firm, and a patent may be held unenforceable when the firm, but not the individual attorney who prosecuted the patent application, knew undisclosed material information. Cases have held that imputation is proper,<sup>68</sup> and commentators have likewise concluded that imputation is appropriate.<sup>69</sup>

For example, in *W.R. Grace & Co. v. Western U.S. Industries, Inc.*,<sup>70</sup> the United States Court of Appeals for the Ninth Circuit ("Ninth Circuit") affirmed the district court's finding that a patent is unenforceable, as a matter of law, because of knowledge imputed among corporate employees.<sup>71</sup> In *W.R. Grace*, Grace sought to overcome a rejection during prosecution of the patent at issue by submitting an affidavit showing that its design for car wheels had achieved commercial success.<sup>72</sup> In the affidavit, the president of the relevant division, Mr. Merritt, swore that only minor advertising had been done for the particular design.<sup>73</sup> Therefore, Grace argued, the commercial success of the design was due to its merits, not advertising.<sup>74</sup> The argument succeeded and the patent issued to Grace.<sup>75</sup>

\*350 When Grace brought suit for patent infringement, the defendants responded that the affidavit was false, because Grace had significantly advertised the design.<sup>76</sup> Therefore, the defendants asserted that Grace's patent was unenforceable.<sup>77</sup> The district court agreed, and the Ninth Circuit affirmed on appeal:

Merritt admits he erred in the affidavit, but insists it was only because he personally misunderstood his subordinates' reports about the advertising. Grace thus argues that there was a jury question presented on

scienter. It is important to remember, however, that the plaintiff and patent holder here is not Merritt, but a corporation, Grace. Under well established agency doctrines a corporate principal is considered to know what its agents discover concerning those matters in which the agents have the power to bind the principal. And even when an agent has no reason to know the falsity of the representations he or she makes, the principal is liable if it knows the falsity and has reason to know the agent would make the statement. Under these rules, Grace clearly must answer for intentional or reckless misrepresentation as a matter of law. The evidence was undisputed that some agent of Grace had to know about the corporation's advertising for the wheels; thus, Grace must be said to have known it. And even if we assume that Merritt himself harbored no doubts about the truth of his affidavit ... on this record the corporation, which knew the truth and had ample reason to know of Merritt's actions and statements, must be said as a matter of law to have known that the statements were false.<sup>78</sup>

Despite the holding of *W.R. Grace*, imputing knowledge to find inequitable conduct is inappropriate, which other courts have recognized.<sup>79</sup> Information known by one attorney in a firm should not be imputed to the client of another attorney in the same firm.<sup>80</sup> Further, as discussed below, the PTO rules demonstrate that imputation is not appropriate to determine compliance with Rule 1.56, which strongly indicates that inequitable conduct should not be based on imputed knowledge.

Rule 1.56 provides that “[e]ach individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the [PTO], which includes a duty to disclose to the [PTO] all information known to that individual to be material to patentability as defined in this section.”<sup>81</sup> Significantly, Rule 1.56 defines “individuals associated with the filing or prosecution of a patent application” as:

\*351 (1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.<sup>82</sup>

Thus, the M.P.E.P. does not extend the duty of disclosure to those who merely belong to an organization that employs: (1) the inventor; (2) the prosecuting attorney; or (3) every person substantively involved in prosecuting the patent. Instead, the M.P.E.P. emphasizes that the:

word ‘with’ appears before ‘the assignee’ and ‘anyone to whom there is an obligation to assign’ to make clear that the duty applies only to individuals, not to organizations. For instance, the duty of disclosure would not apply to a corporation or institution as such. However, it would apply to individuals within the corporation or institution who were substantively involved in the preparation or prosecution of the application, and actions by such individuals may affect the rights of the corporation or institution.<sup>83</sup>

Consistent with this concept, the M.P.E.P. does not permit an entire firm to appear as counsel for patent applicants.<sup>84</sup> Instead, individuals or a list of attorneys from a firm specifically authorized to transact business with the PTO on behalf of a client must be filed and maintained with the PTO.<sup>85</sup> Thus, the PTO does not permit firms to be responsible for prosecuting patents; rather, it requires named individuals to be responsible.

Thus, the PTO has interpreted the duty of candor to apply only to individuals substantively involved in prosecuting patent applications--not to organizations--by refusing to give organizations the authority to prosecute patents. The PTO essentially rejects the notion of imputation by rejecting the entity theory. Under the PTO's interpretation, the fact that one attorney knows of information material to a client's application prosecuted by another attorney in the firm is simply irrelevant.

Unfortunately, the M.P.E.P.'s clarity is not the final answer and as noted above, the case law is in disarray. Although the M.P.E.P. “is well known to those registered to practice in the PTO and reflects the presumptions under which the PTO operates,” the M.P.E.P. “does not have the force of law.”<sup>86</sup> In light of the conflicting cases, one commentator concludes that it “is unclear whether ... this knowledge is imputed to the attorney's entire firm.”<sup>87</sup>

**\*352** Thus, the question remains: Should firms be able to create Chinese walls without the approval of the PTO in order to avoid imputation of knowledge, for the purpose of determining inequitable conduct?

### **C. Chinese Walls May Create Circumstances that Justify Finding an Intent to Deceive the PTO**

As a general rule, an applicant has no duty to conduct a prior art search to determine whether the invention is new and non-obvious. Consequently, there is no duty to disclose art that the applicant could have or should have been aware of. However, “one should not be able to cultivate ignorance, or disregard numerous warnings that material information or prior art may exist, merely to avoid actual knowledge of that information or prior art. When one does that, the ‘should have known’ factor becomes operative.”<sup>88</sup>

An attorney who knows that a reference exists, and has been repeatedly warned or advised that it is material to a client’s patent application, runs the risk of being accused of inequitable conduct if the attorney does not investigate the materiality of the reference. The attorney has a duty to investigate because the attorney knows of the importance of the reference. Thus, the issue is not “could have” or “should have” known of the reference because the attorney did know of the reference, even if the attorney did not have actual knowledge of the content of the reference. Attorneys cannot bury their heads in the sand in the face of repeated warnings of the existence and materiality of information.<sup>89</sup> Consistent with this case law, under the PTO Code, **\*353** an attorney “who acts with reckless indifference to whether a representation is true or false is chargeable with knowledge of its falsity.”<sup>90</sup>

With these principles in mind, the problem of using Chinese walls to avoid conflicts during patent prosecution<sup>91</sup> is obvious: A firm will only use a Chinese wall to segregate one set of prosecuting attorneys from another set because the first set of attorneys knows information that may be important to the second set. The attorneys screened from the information must have had reason to know that the information is important to their own representations. Indeed, in order for the attorneys to know what they are not to discuss, they must be warned not to discuss the content of patent applications amongst themselves.<sup>92</sup>

Well-established jurisprudence has found that Chinese walls cannot effectively function without the attorneys knowing what information they should or should not discuss with their colleagues.<sup>93</sup> For these reasons, Chinese walls may be considered a mere attempt to “cultivate ignorance” in order to avoid acquiring actual knowledge of material information or prior art. Thus, an alleged infringer may argue that the Chinese wall implemented by a firm is simply evidence of an intent to prevent the firm’s attorneys from fulfilling their duty to the PTO. To the extent that attorneys choose to use these devices to allow them to prosecute related patents for different clients, attorneys should consider whether to advise their clients of the risks involved, as well as seek appropriate consent of the clients.

## **V. Conclusion**

Patent prosecution involves unique and complex attorney-client relationships. Yet, the fundamental precepts that universally apply to attorney-client relationships also apply to patent prosecution attorneys and their clients. Attorneys must be candid with respect to material information when dealing with third parties, and cannot **\*354** represent parties when they are unable to be candid. The duty of candor and the PTO Code require nothing less.

### Footnotes

<sup>a1</sup> Mr. Hricik is a partner with the law firm of Slusser & Frost, L.L.P., Houston, Texas, and an Adjunct Professor of Law at the University of Texas School of Law. The views expressed herein are the author’s personal opinions. Neither Slusser & Frost nor its clients has had any control over the content of this article.

<sup>1</sup> “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101 (1994). See also 37 C.F.R. § 1.104(a)(1) (1999) (“On taking up an application for examination ... the examiner shall make a thorough study thereof and shall make a thorough investigation of the available prior art relating to the subject matter of the claimed invention.”).

2 See <<http://www.uspto.gov/web/offices/com/annual/1998/a98r-2.htm#Topic11>> (“PTO Web Site”). The PTO expected to receive approximately 260,000 patent applications in 1999. Id.

3 37 C.F.R. § 1.34 (1999).

4 B. Joan Holdridge, *Malpractice of Patent Attorneys*, 7 *Cleveland-Marshall L. Rev.* 345, 345 (May 1958) (quoting Chief Justice Holmes). See Alan H. MacPherson et al., *Ethics in Patent Practice (A Brief Visit to Several Areas of Concern)*, 574 *PLI/Pat* 657, 695 (Oct. 7, 1999) (“A patent attorney, in the unique position of being both an attorney and a patent prosecutor, is subject to both a duty not to disclose client confidential information, and a duty to disclose information material to patentability.”).

5 37 C.F.R. § 1.56 (1999). See generally *Refac Int’l., Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581, 38 *U.S.P.Q.2d* (BNA) 1665, 1668-69 (Fed. Cir. 1996) (providing a general discussion of the elements of inequitable conduct).

6 *FMC Corp v. Manitowoc Co.*, 835 F.2d 1411, 1415 n.8, 5 *U.S.P.Q.2d* (BNA) 1112, 1115 (Fed. Cir. 1987) (stating that knowledge and actions of an applicant’s representative are chargeable to applicant).

7 *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 33 *U.S.P.Q.2d* (BNA) 1823 (Fed. Cir. 1995).

8 37 C.F.R. §§ 10.1-10.170 (1999).

9 Id. § 10.1.

10 See *Little Caesar Enters. Inc. v. Domino’s Pizza, Inc.*, 11 *U.S.P.Q.2d* (BNA) 1233, 1234 n.3 (Comm’r. Pat. 1989) (PTO Code applies in trademark opposition proceedings).

11 37 C.F.R. § 10.1 (1999). In cases involving conduct occurring before the adoption of the PTO Code, the ABA Model Code of Professional Conduct was used in PTO disciplinary matters. See, e.g., *Jaskiewicz v. Mossinghoff*, 822 F.2d 1053, 3 *U.S.P.Q.2d* (BNA) 1294 (Fed. Cir. 1987); *Klein v. Peterson*, 866 F.2d 412, 9 *U.S.P.Q.2d* (BNA) 1558 (Fed. Cir. 1989). In cases involving conduct occurring after the adoption of the PTO Code, the PTO Code has been exclusively applied. See, e.g., *Lipman v. Dickinson*, 174 F.3d 1363, 50 *U.S.P.Q.2d* (BNA) 1490 (Fed. Cir. 1999).

12 37 C.F.R. § 10.66(a)-(c) (1999).

13 37 C.F.R. § 10.56 (1999).

14 37 C.F.R. § 10.57(a) (1999).

15 See id.

16 37 C.F.R. § 10.57(b) (1999).

17 37 C.F.R. § 10.57(c) (1999).

18 The PTO Code also requires certification under 37 C.F.R. § 10.18(b) that “[a]ll statements made therein of the party’s own knowledge are true” and that “[t]o the best of the party’s knowledge ... formed after an inquiry reasonable under the circumstances

... [t]he allegations and other factual contentions have evidentiary support ....”

19 37 C.F.R. § 10.23(b)(4) (1999).

20 37 C.F.R. § 10.23(c)(2)(ii) (1999).

21 37 C.F.R. § 10.23(c)(10) (1999).

22 No authority was found supporting the proposition that the PTO Code’s disclosure requirements are broader than, or different from, the duty of candor in section 1.56. Presumably, they are coterminous.

23 37 C.F.R. § 1.56(a) (1999).

24 35 U.S.C. § 122 (1994).

25 35 U.S.C. § 282(1) (1994). See generally, *Refac Int’l., Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581, 38 U.S.P.Q.2d (BNA) 1665, 1668-69 (Fed. Cir. 1996).

26 *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178, 33 U.S.P.Q.2d (BNA) 1823, 1826 (Fed. Cir. 1995).

27 See, e.g., 37 C.F.R. § 10.23(b)(1) (1999); 37 C.F.R. § 10.66 (1999); 37 C.F.R. § 10.62(a) (1999).

28 The relevant provision of the PTO Code provides:

(a) A practitioner shall decline proffered employment if the exercise of the practitioner’s independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(b) A practitioner shall not continue multiple employment if the exercise of the practitioner’s independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitioner’s representation of another client, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(c) In the situations covered by paragraphs (a) and (b) of this section a practitioner may represent multiple clients if it is obvious that 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.

(d) If a practitioner is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other practitioner affiliated with the practitioner or the practitioner’s firm, may accept or continue such employment unless otherwise ordered by the Director or Commissioner.

37 C.F.R. § 10.66 (1999).

29 In 1999 alone, the PTO planned to hire 700 more examiners. See PTO Web site, *supra* note 2.

30 “The Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.” 35 U.S.C. § 131 (1994).

31 35 U.S.C. § 101 (1994).

32 The prior art generally includes all information, products, and processes available to the public prior to the filing date of the

application. See Manual of Patent Examining Procedure (M.P.E.P.) § 704 (7th ed. 1998).

33 See id.

34 48 F.3d 1172, 33 U.S.P.Q.2d (BNA) 1823 (Fed. Cir. 1995).

35 See id. at 1184-85, 33 U.S.P.Q.2d at 1832.

36 Id.

37 See id., 33 U.S.P.Q.2d at 1832-33.

38 Id. at 1190, 33 U.S.P.Q.2d at 1836 (Nies, J., dissenting in part).

39 See id., 33 U.S.P.Q.2d at 1836-37.

40 Id. at 1185, 33 U.S.P.Q.2d at 1833.

41 See id. Judge Lourie as the majority opinion author, also rejected on a factual basis the argument that the patent was unenforceable because the attorney had allegedly taken inconsistent positions before the PTO. The court held that there was no evidence that the attorney had represented to the PTO for one client that a certain reference anticipated the invention, and for the other client that it did not. See id at 1186, 33 U.S.P.Q.2d at 1833.

42 See id. at 1192-93, 33 U.S.P.Q.2d at 1839.

43 Id.

44 See id. at 1193, 33 U.S.P.Q.2d at 1839.

45 See, e.g., 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, 1035 (Oct. 1996). See generally Donald S. Chisum, Best Mode Concealment and Inequitable Conduct in Patent Procurement: A Nutshell, A Review of Federal Circuit Cases and a Plea For Modest Reform, 13 Santa Clara Computer & High Tech. L.J. 277, 299 (May 1997); Patricia N. Brantley, Ethical Issues in Patent Prosecution and Litigation, Ca. 15 ALI-ABA 227, 244-45 (Nov. 9, 1995).

46 Becker, *supra* note 45, at 1035. It will be rare that a co-pending application of one client will be material to another client's application under the newer version of Rule 1.56. But attorneys can receive information under obligations of confidentiality from a variety of sources. For example, a client can disclose information to an attorney under an obligation of confidentiality, such as trade secrets involving litigation related to the prosecution of the patent. An attorney can learn of information, such as documents that arguably constitute "printed publications" during the course of representing a client. A common issue outside the scope of this article arises when an attorney learns information from a third party subject to a confidentiality agreement. On its face, the PTO Code does not address the question of whether the duty of confidentiality applies to information gained from third-parties pursuant to confidentiality agreements made between an attorney's client and a third-party. Nonetheless, courts have analyzed that fact pattern under similar ethical rules. See e.g., National Med. Enter., Inc. v. Godbey, 924 S.W.2d 123 (Tex. 1996); Abraham Constr. Corp. v. Armco Steel Corp., 559 F.2d 250 (5th Cir. 1977).

47 That illustration provides: “For example, if a particular inventor has different applications pending in which similar subject matter but patentably indistinct claims are present that fact must be disclosed to the examiner of each of the involved applications.” M.P.E.P. § 2001.06(b) ( 7th ed. 1998).

48 See id. § 2004.

49 37 C.F.R. § 10.23(c)(10) requires withdrawal when an attorney will violate the duty of candor if representation continues. Clearly, the failure to disclose co-pending applications of the same client violates M.P.E.P. § 2001.06(b), and therefore, the duty of candor.

50 Restatement (Second) of Agency § 381 cmt. e (1957).

51 M.P.E.P. § 2001.06 provides:

All individuals covered by 37 C.F.R. § 1.56 ... have a duty to disclose to the Patent and Trademark Office all material information they are aware of regardless of the source of or how they become aware of the information. Materiality controls whether information must be disclosed to the Office, not the circumstances under which or the source from which the information is obtained. If material, the information must be disclosed to the Office.

52 The confidential information of one client known to an attorney is not imputed to other clients of the attorney:

When it is not the agent’s duty to communicate such knowledge, when it would be unlawful for him to do so, as, for example, when it has been acquired confidentially as attorney for a former client in a prior transaction, the reason of the rule ceases, and in such a case an agent would not be expected to do that which would involve the betrayal of professional confidence, and his principal ought not to be bound by his agent’s secret and confidential information.

The *Distilled Spirits*, 11 Wall. (U.S.) 367 (1813). Consistent with this position, the Restatement of Agency provides that a “principal is not affected by the knowledge of an agent who is privileged not to disclose or act upon it and who does not disclose or act upon it.” Restatement (Second) of Agency § 281 (1957); see also id. § 381 (an attorney has a general duty to disclose information to a client). The comments to section 281 explain that this rule “applies most frequently where an attorney at law receives information from a client under such circumstances that he has a duty not to reveal it without the client’s permission. In such cases, the attorney, in acting for other clients, is privileged to act without revealing the information and, in many cases, without reference to it.” Id. § 281 cmt. a; id. § 275 cmt. c. (“where an agent is privileged not to reveal relevant information which, but for the privilege, it would be his duty to reveal, the principal is not affected by the agent’s knowledge.”); Restatement (Third) of Law Governing Lawyers § 40(1) (1998) (“Information imparted to an attorney during and relating to the representation of a client is attributed to the client for the purposes of determining the client’s rights and liabilities in matters in which the attorney represents the client, unless ... the attorney’s legal duties preclude disclosure of the information to the client.”).

53 See, e.g., 37 C.F.R. § 10.23(b)(2) (1999); 37 C.F.R. § 10.66(d) (1999); 37 C.F.R. § 10.62(b) (1999).

54 See, e.g., Model Rules of Professional Conduct Rule 1.10(a) (1998); Tex. Disciplinary R. Prof. Conduct 1.06(f) (1990).

55 See 37 C.F.R. § 10.23(b)(2) (1999); 37 C.F.R. § 10.66(d) (1999).

56 See 37 C.F.R. § 10.23(2) (1999) & 37 C.F.R. § 10.66(d) (1999).

57 The lawyer would not be knowingly engaged in inequitable conduct, in violation of 37 C.F.R. § 10.23(c)(1), and would not be circumventing a Disciplinary Rule in violation of 37 C.F.R. § 10.23(b)(2).

58 As shown below, although courts have imputed knowledge for purposes of determining violations of Rule 1.56 and the presence of inequitable conduct, imputation of knowledge is probably not appropriate. If that conclusion is incorrect, then an attorney prosecuting a patent application in a firm where another lawyer knows material information that should be disclosed to the PTO can defend his “nondisclosure” by arguing only that it was done without an intent to deceive.



59 37 C.F.R. § 10.23(b)(2) (1999).

60 See id.

61 37 C.F.R. § 10.23(b)(4), (5), (6) (1999).

62 37 C.F.R. § 1.56 (1999).

63 Id. § 1.56(a).

64 37 C.F.R. § 10.66(d) (1999).

65 See *American Sigma, Inc. v. QED Environmental Sys., Inc.*, 1989 Comm’r Pat. LEXIS 18 (July 31, 1989) (“Chinese wall” appropriate to avoid conflict involving associate); *Plus Prod. v. Con-Stan Indus., Inc.*, 221 U.S.P.Q. (BNA) 1071, 1076-77 (Comm’r. Pat. 1984) (Chinese wall ineffective for partner); *Sunkist Growers, Inc. v. Benjamin Ansehl Co.*, 221 U.S.P.Q. (BNA) 1077 (Comm’r. Pat. 1984) (permitting firm to continue to be adverse to former client of newly-hired associate who was walled off from participating in trademark opposition proceeding.).

66 37 C.F.R. § 10.66(d).

67 See id.

68 See, e.g., *Insultherm, Inc. v. Tank Insulation Int’l, Inc.*, 64 F.3d 671, 36 U.S.P.Q.2d (BNA) 1271 (Fed. Cir. 1995) (stating that inequitable conduct may be proven by “knowledge chargeable to the patentee,” and examining whether the district court properly “imputed knowledge” to the inventor of facts that the inventor claimed ignorance of); *W.R. Grace & Co. v. Western U.S. Indus., Inc.*, 608 F.2d 1214, 1218-19, 203 U.S.P.Q. (BNA) 721, 725 (9th Cir. 1979) (relying on agency principles to find inequitable conduct because “some agent of” the corporation had to know that the statement in question was false); *Transitron Elec. Corp. v. Hughes Aircraft Co.*, 487 F. Supp. 885, 902, 205 U.S.P.Q. (BNA) 799, 813 (D. Mass. 1980) (imputing knowledge among corporate actors but finding no fraud). But see *Robert O. Bolan & William C. Rooklidge, Imputing Knowledge to Determine Willful Patent Infringement*, 24 *Am. Intell. Prop. Q.J.* 157, 190 n.116 (1996) (stating that “[a]s a matter of inequitable conduct law, the entire imputation analysis should not have been undertaken”--but noting that Federal Circuit has used loose language).

69 See *Restatement (Third) of Law Governing Lawyers* § 40 reporters’ note c & cmt. c (Proposed Final Draft No. 1 March 29, 1996). The Restatement confuses the concept of imposing the consequences of an attorney’s knowledge and acts upon the client with imputing the attorney’s knowledge to the client. See id. (citing *Argus Chem. Corp. v. Fibre Glass-Evercoat Co. Inc.*, 759 F.2d 10, 225 U.S.P.Q. (BNA) 1100 (Fed. Cir. 1985))

70 608 F.2d 1214, 203 U.S.P.Q. (BNA) 721 (9th Cir. 1979).

71 Id. at 1218, 203 U.S.P.Q. at 725.

72 See id. at 1216, 203 U.S.P.Q. at 723.

73 See id.

- 74 See *id.* at 1218-19, 203 U.S.P.Q. at 725.
- 75 See *id.*
- 76 See *id.*
- 77 See *id.* at 1216-17, 203 U.S.P.Q. at 723.
- 78 *Id.* at 1218-19, 203 U.S.P.Q. at 724-25 (citing Restatement (Second) of Agency §§ 272, 256 (1958)).
- 79 See, e.g., *Litton Sys., Inc. v. Honeywell, Inc.*, No. CV.90-93 MRP, 1995 WL 366468 (C.D. Cal. Jan. 6, 1995) (finding intent to deceive because someone “at Litton knew about the article”), *rev’d*, 87 F.3d 1559, 1571 39 U.S.P.Q.2d (BNA) 1321, 1328 (Fed. Cir. 1996) (“relative to the issue of culpable intent, the record does not disclose that anyone involved in the prosecution at Litton knew of” the article) (emphasis added); *Haworth, Inc. v. Steelcase, Inc.*, 685 F. Supp. 1422, 1449-50, 8 U.S.P.Q.2d (BNA) 1001, 1022-23 (W.D. Mich. 1988) (refusing to impute knowledge among corporate employees and stating that inventors “had no duty to search their employees’ files to discover information regarding prior art”); *Wycoff v. Motorola, Inc.*, 502 F. Supp. 77, 93, 209 U.S.P.Q. (BNA) 115, 129 (N.D. Ill. 1980) (stating in dictum that “only actual knowledge of an attorney or agent can be imputable to the client or principal”).
- 80 Restatement (Second) of Agency § 275 cmt. b (1957) (where knowledge, as opposed to a reason to know, “is the important element in the transaction and the agent who has the knowledge is not one acting for the principal in the transaction, the principal is not affected by the fact that the agent has the knowledge”).
- 81 37 C.F.R. § 1.56 (1999).
- 82 *Id.* (emphasis added).
- 83 M.P.E.P. § 2001.01 (7th ed. 1998).
- 84 See *id.* § 403.
- 85 See *id.* This is known as “customer number practice.” The PTO requires the firm to submit and update a list of attorneys in the firm who are authorized to act on the client’s behalf; it does not permit the firm to simply list itself.
- 86 *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257, 43 U.S.P.Q.2d (BNA) 1666, 1669 (Fed. Cir. 1997).
- 87 *Macpherson et al.*, *supra* note 4, at 665.
- 88 *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6, 5 U.S.P.Q.2d (BNA) 1272, 1275 n.6 (Fed. Cir. 1987) (citation omitted).
- 89 See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1183 n.12, 33 U.S.P.Q.2d (BNA) 1823, 1830 n.12 (Fed. Cir. 1995) (noting that the district court rejected a finding of cultivating ignorance); *Brasseler U.S.A. v. Stryker Sales Corp.*, No. CV.497-184, 1999 WL 1327913, \*8 (S.D. Ga. Dec. 30, 1999) (“The reason why Brody did not conduct any post-filing investigation is obvious: because he did not want to learn of any earlier sales and thus have to disclose them to the PTO. ... That only underscores the studied ignorance that he carefully cultivated ....”); *Newell Window Furnishings, Inc. v. Springs Window Fashions Div., Inc.*, 53 U.S.P.Q.2d (BNA)

1302 (N.D. Ill. Oct. 1999) (“While an intentional cultivation of ignorance may constitute inequitable conduct, applicants are not conscripted to serve as an investigative arm of the PTO.”); *Molins PLC v. Textron, Inc.*, 821 F. Supp. 1551, 1570, 26 U.S.P.Q.2d (BNA) 1889, 1902 (D. Del. 1992) (“if a person has cultivated ignorance of a reference to avoid actual knowledge that too may be a basis for finding knowledge”), *aff’d in part*, 48 F.3d 1172, 33 U.S.P.Q.2d (BNA) 1823 (Fed. Cir. 1995); *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co.*, 837 F. Supp. 1444, 1461, 24 U.S.P.Q.2d (BNA) 1801, 1814 (N.D. Ind. 1992) (“Such cultivated ignorance is not only not credible, it tends to show knowing and deliberate deception.”), *aff’d*, 11 F.3d 1072 (Fed. Cir. 1993); *Halliburton Co. v. Schlumberger Tech. Corp.*, 722 F. Supp. 324, 332, 12 U.S.P.Q.2d (BNA) 1765, 1771 (S. D. Tex. 1989) (“Since an applicant’s duty of disclosure is subject to a duty of reasonable inquiry, evidence that an applicant avoided knowledge of the existence or relevance of prior art may negate his attempt to assert subjective good faith as a defense to intent to mislead.”), *rev’d*, 925 F.2d 1435, 17 U.S.P.Q.2d (BNA) 1834 (Fed. Cir. 1991); *Procter & Gamble Co. v. Kimberly-Clark Corp.*, 740 F. Supp. 1177, 1198, 12 U.S.P.Q.2d (BNA) 1577, 1593-94 (D.S.C. 1989) (finding evidence of “a conscious intent on behalf of Allen to bury his head in the sand”); *Nintendo of Am., Inc. v. Magnavox Co.*, 707 F. Supp. 717, 729, 10 U.S.P.Q.2d (BNA) 1504, 1513 (S.D.N.Y. 1989) (“Patent applicants have a duty of reasonable inquiry and cannot cultivate ignorance.”). See also *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1051, 1055, 34 U.S.P.Q.2d (BNA) 1565, 1570, 1573 (Fed. Cir. 1995) (Majority rejected imputing knowledge of other employees at inventor’s company to inventor for determining best mode violation and held that it was irrelevant that the inventor had been “deliberately walled off” by the employer from acquiring the knowledge; however, the dissent argued that if the employer had deliberately isolated inventor from such knowledge, “these circumstances would justify imputing knowledge” among the employees.).

90 37 C.F.R. § 10.23(d) (1999).

91 None of the cases decided by the PTO have involved prosecution; thus, none implicate the duty of candor, that applies only while an application is pending. Instead, each case involved an administrative dispute between two parties, rather than *ex parte* prosecution. See *American Sigma, Inc. v. QED Envtl. Sys., Inc.*, 1989 Comm’r. Pat. LEXIS 18 (July 31, 1989); *Plus Prods. v. Con-Stan Indus., Inc.*, 221 U.S.P.Q. (BNA) 1071, 1076-77 (Comm’r. Pat. 1984); *Sunkist Growers, Inc. v. Benjamin Ansehl Co.*, 221 U.S.P.Q. (BNA) 1077 (Comm’r. Pat. 1984).

92 For this reason, isolating attorneys within a firm would be distinct from the fact pattern in *Glaxo*, 52 F.3d at 1051, 1055, 34 U.S.P.Q.2d at 1570, 1573, where the court refused to impute knowledge of other to the inventor for determining a violation of the best mode, even though the inventor had been “deliberately walled off” by the employer from acquiring the knowledge, since the attorneys would know that the wall existed and the reasons for its creation. But see *Becker*, *supra* note 45, at 1064 & n.170 (concluding that *Glaxo* precludes imputing knowledge among attorneys).

93 Cf. *Schiessle v. Stephens*, 717 F.2d 417, 421 (7th Cir. 1983) (in evaluating the efficacy of Chinese walls, courts should consider the likelihood that attorneys discussed matter). Accord *Manning v. Waring, Cox, James, Sklar & Allen*, 849 F.2d 222, 225-26 (6th Cir. 1988); *Cobb Publ’g, Inc. v. Hearst Corp.*, 907 F. Supp. 1038, 1045 (E.D. Mich. 1995).