

Ten Mistakes that Patent Practitioners Make

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Recent Trends in IP Malpractice

- Explosion in IP Work
 - Globalization
 - Larger firms more likely to have conflicts
- Law Firm Consolidation
- Nature of IP Work

Specific Areas of Concern

- Increase in speed, scope and volume of law practice
- Difficulty managing information and deadlines

Claims Avoidance

- Client Intake Procedures
- Docket Control Issues
- Client Communication Issues

Client Intake

- Crucial first interactions with clients
- Conflicts of interest

1) Conflicts in Representing Parties with Adverse Interests

- Have a conflict system in place
- Update the system
- Representation memorandum

Conflicts in Representing Parties with Adverse Interests

Berkeley Ltd. P'ship v. Arnold, White & Durkee,
118 F. Supp. 2d 668, 674 (D. Md. 2000)

- Client brought malpractice claim against law firm alleging undisclosed conflict of interest

Conflicts in Representing Parties with Adverse Interests

- Communicate with persons authorized to act on behalf of corporate entities
- Document communications involving conflicts in writing
- Obtain written waivers from authorized persons

Conflicts in Representing Parties with Adverse Interests

Ciocca v. Neff, 2005 WL 1473819 (S.D.N.Y.
June 22, 2005)

- Plaintiff alleged attorney created conflict of interest by agreeing to represent another client prior to the conclusion of the client's representation

Conflicts in Representing Parties with Adverse Interests

- Disclose conflicts in writing
- Engagement letters
- Disengagement letters

2) Subject Matter Conflicts

- Subject of one representation may conflict with the subject of another client's representation
- Not always discernable when an attorney agrees to representation

Subject Matter Conflicts

G.D. Searle & Co. v. Pennie & Edmonds, LLP,
801 N.Y.S.2d 233 (Table) (N.Y.Sup. 2004)

- Former client sued law firm when firm sued them on behalf of another client

3) Conflicts Between Interests of the Client and Attorney

- State ethical rules
- Policy of disclosure

Conflicts Between Interests of the Client and Attorney

Buechel v. Bain, 713 N.Y.S. 2d 332 (2000),
aff'd 97 N.Y. 2d 295 (2001)

- Attorney with financial interest in the patent sued trustees and client counterclaimed for malpractice

Conflicts Between Interests of the Client and Attorney

- Suing a client for fees will likely result in malpractice counterclaim

4) Conflicts Based on Prior Representation

Stratagene v. Parsons Behle & Latimer, 315 F.Supp.2d 765 (D.Md. 2004)

- Attorney disqualified from underlying suit for conflict of interest due to representation in “substantially related” matters at prior firm

5) Fee Agreements

- 20% of all malpractice claims are in response to fee actions
- 40% of all malpractice claims have some relationship to handling of fee arrangements or communication about value of the services

Fee Agreements

Ciocca v. Neff, 2005 WL 1473819 (S.D.N.Y.
June 22, 2005)

- Plaintiff alleged attorney breached his fiduciary duty by demanding interest in Patent sale, although attorney claimed the interest represented unpaid legal fees and interest

Docket Control

- 26% of malpractice claims are administrative in nature
- 20% of malpractice claims concern administrative or substantive errors related to calendaring
- Of the calendaring error claims:
 - 11.3% Failure to calendar
 - 6.8% Failure to know deadlines
 - 3.5% Failure to react to calendar
 - 4.2% Failure to file
 - 74.2% Other

6) Filing Deadlines

- Calendar immediately
- Use electronic calendars efficiently and effectively

Filing Deadlines

Kairos Scientific, Inc. v. Fish & Richardson P.C.,
2003 WL 21960687 (Cal. Super. Ct. Jul. 29,
2003)

- Held that defendant attorney's failure to timely file a foreign patent application was legal malpractice which caused plaintiff to lose the ability to license an invention
- Court entered judgment in 2004 for \$29,868,004

7) Intermediate Deadlines

- Internal calendars
- Communicate with the client

Intermediate Deadlines

New Tek Mfg., Inc. v. Beehner, 270 Neb. 264,
702 N.W.2d 336 (Neb. 2005)

- Former client sued attorney and law office for professional negligence in permitting client's patent to expire

Client Communications

- 25% of malpractice claims occur because of negligence in handling the attorney-client relationship
- Failure to communicate is often the source of a client's dissatisfaction

8) Scope of Representation

- Detailed letter of engagement
- Failure to outline duties can lead to inappropriate expectations

Scope of Representation

Darby & Darby v. VSI International, Inc., 701 N.Y.S. 2d 50, aff'd, 95 N.Y.2d 308 (2000)

- Firm sued client for unpaid fees and client counterclaimed for malpractice alleging the law firm failed to advise the client that the infringement case might be covered by insurance

9)

Confirmation of Facts/Understandings

- Written communication is crucial
- Report no less frequently than every 90 days

Confirmation of Facts/Understandings

Carbotta v. Mitchell, 2002 WL 42948 (Ohio App. Jan. 10, 2002)

- Attorney sued for negligence based on patent search
- Attorney should have clarified facts with client in writing

10)

Documentation of Communications

- Take the time to document conversations
- Ending an attorney-client relationship

Documentation of Communications

Ciocca v. Neff, 2005 WL 1473819 (S.D.N.Y.
June 22, 2005)

- Client claims patent should have been appraised before sale
- Attorney claims he suggested it, but no documentation to prove it

Documentation of Communications

Valutron, N. v. Pennie & Edmonds, 800
N.Y.S.2d 358 (Table) (N.Y.Sup. 2004)

- Client claimed law firm did not warn them of potential laches problem

Conclusion

- Legal malpractice claims will continue
- Implementation of administrative best practices can prevent a significant number of claims
- Proper documentation is vital