

## [The Perils of Patent Prosecution Delegation: A Cautionary Tale](#)

By [Paul D. Swanson](#) on March 26th, 2012



What happens when a start-up company (Protostorm) retains a sole practitioner to prepare provisional patent applications, another solo lawyer to prepare the corresponding U.S. non-provisional application, and yet another firm to file the resulting Patent Cooperation Treaty (“PCT”) application? This is getting complicated, right?

Add to this mix these salient facts: (1) neither Protostorm nor its counsel appears to ever proofread the completed PCT patent application after it is filed; (2) Protostorm fails to pay its patent attorneys and closes up shop; and then (3) some five years later, the start-up principals learn that Google might be infringing upon their patent right.

The answer to this delegation of patent prosecution question is an abandoned, misdesignated PCT patent application and a flurry of client and attorney fingers all pointing at each other. In other words, a patent legal malpractice mess that is very hard to resolve through [summary judgment proceedings](#).

This *Protostorm* cautionary tale takes place against the immutable backdrop of a statute prohibiting the unauthorized practice of patent law. 35 U.S.C. § 33 provides that “[w]hoever, not being recognized to practice before the Patent Office, holds himself out or permits himself to be held out as so recognized or as being qualified to prepare or prosecute applications for patent, shall be fined not more than \$1000 for each offense.”

A violation of 35 U.S.C. § 33 and related USPTO rules can have a profound, reverberating effect leading to patent unenforceability, as one *Protostorm* ethics expert opines.

The facts giving rise to the *Protostorm* legal malpractice claim will seem commonplace enough in our information age. Protostorm wants to obtain worldwide patent rights for an online computer game and related software. Its regular corporate counsel does not engage in patent work, so it refers the company to a lawyer (Kathy Worthington) who is knowledgeable about intellectual property matters. By her own admission, she is not registered to practice before the USPTO. Worthington, in turn, introduces her new client to Antonelli, Terry, Stout & Kraus, LLP (“ATS&K”), a law firm specializing in patent work.

All goes well with the preparation filing of a first U.S. provisional application. Worthington prepares it and an ATS&K attorney (admitted to practice before the USPTO) reviews, signs and files it. Worthington's bills are sent to Protostorm's corporate counsel for payment. Protostorm is advised that a non-provisional patent application must be filed within one year in order to take advantage of the provisional patent application's filing priority date.

Then patent prosecution runs head-on into a § 33 roadblock. Worthington prepares and files a second provisional application to address some additional invention developments. The second provisional patent application is reviewed by the Protostorm's corporate counsel, but is not reviewed nor supervised by patent counsel authorized to appear before the USPTO.

In the course of preparing the second provisional patent application, Worthington seeks the advice of a different ATS&K lawyer—not the associate or partner involved in the first provisional patent application filing. This ATS&K lawyer (George Stevens) declines to provide any advice and instead informs Worthington that he cannot assist her because of to do so would result in his aiding a non-patent practitioner in the unauthorized practice of law. See 37 C.F.R. § 10.47(a). Stevens does not self-report this potential violation to the USPTO because he believes he had gained this information in Worthington's attempt to form an attorney-client relationship with him.

Worthington signs and files the second provisional patent application anyway and lists herself as the "contact." Worthington never informs the other two ATS&K lawyers whom she had worked with previously about Steven's unwillingness to assist her in the preparation of the second U.S. provisional patent application.

As the one year deadline nears for filing of the non-provisional U.S. patent application, a scramble is on to prepare it. A sole practitioner, Dale Hogue, is contacted. He is formerly of counsel in the ATS&K firm. Hogue enters into a retainer agreement with Protostorm. It states that ATS&K may assist him in patent application filing logistics. Hogue is the only attorney who enters into a formal retainer agreement with Protostorm.

Because of Protostorm's delay in retaining him, Hogue believes he is in "almost an impossible situation" to file the patent application on time. Despite this rush, he drafts and sends it to the client, Worthington, and his former ATS&K colleagues for review and filing. He tells ATS&K lawyers that Worthington will provide separate instructions regarding foreign patent application filings. Hogue expects that ATS&K will take all the steps necessary to prosecute the patent application and assumes he will have no further involvement with it. After receiving Protostorm's instructions, Worthington directs ATS&K to file a PCT application and designate protection for every PCT signatory country.

Over a hundred boxes are checked for PCT signatory countries in the application filed by ATS&K. Curiously, boxes are left **unchecked** for Mongolia, Zimbabwe and the **United States**. The filed PCT application is circulated to Protostorm and various attorneys. ATS&K calendars the various key PCT deadline dates. No separate U.S. patent application is ever filed.

### “Things Fall Apart”

When a court uses a caption “Things Fall Apart” in a summary judgment ruling, you know the outcome cannot be good for the lawyers involved.

To make a long story short, despite the fact that the completed PCT application was circulated by ATS&K to Protostorm’s principals, its corporate counsel, Hogue and to Worthington, *no one* notices that fact that the PCT box for the United States had not been checked, and that no separate U.S. patent application had been filed. The record explanation is that the PCT country designation page was inadvertently missing from the completed PCT application circulated to the client and all counsel after its filing.

ATS&K eventually receives a “Invitation to Correct Defects in the International Application” from the United States Receiving Office (where the PCT application had been filed). Among other things, it points out that the patent application had been signed by an agent/common representative—but was not accompanied by a requisite power of attorney (“POA”). ATS&K also receives a World Intellectual Property Organization (“WIPO”) notice informing them that the PCT application had been received and that certain countries had been designated. The US designation is not among them.

Worthington sends the POA to Protostorm’s principals and requests that they sign it. She also informs them that they she will not do any more work for Protostorm until her bill is paid. (Protostorm failed to pay Worthington \$8,865 out of total of \$11,640 in billings.)

ATS&K also realizes that it too had not been paid by Protostorm. As a result, an ATS&K internal note states: “DON’T DO ANY FURTHER WORK ON THIS CASE.” (Protostorm apparently believed that any amount owed to ATS&K should have been covered by an initial retainer paid to Protostorm’s non-patent corporate counsel.)

Protostorm and its corporate counsel are informed that their failure to file a completed POA will result in abandonment of their patent application. Protostorm’s principals become concerned. They then call Hogue and the ATS&K partner involved in the PCT filing and take notes of their conversations. They are told that the PCT application is fine, but needs some “procedural things” accomplished. Protostorm is further told that the patent application could “meander” for two to four years through the patent office. Protostorm’s principals contend they sent another completed POA form to ATS&K as a result of these conversations, but ATS&K has no record of ever receiving it. Protostorm assumes and believes that the administrative details regarding its PCT patent application will be taken care of by its attorneys.

At this point, Protostorm ceases operations and closes its office. No one takes any further action with respect to the PCT patent application. None of the attorneys involved informs Protostorm in writing of a withdrawal of patent prosecution representation. The foregoing events take place in 2000 and 2001.

### ***Fast Forward to 2006***

In early 2006, one of Protostorm's principals learns that Google is beginning to test its Gmail system, which he believes incorporates several features of their alleged invention. His initial attempts to reach Hogue and ATS&K are unsuccessful. When he finally reaches an ATS&K attorney, he is informed that the PCT application had been deemed withdrawn because no POA or "national stage" submissions had been filed.

### ***Life Lessons and Practice Pointers***

Having survived summary judgment, Protostorm's patent legal malpractice claims are scheduled to go to trial on September 10, 2012. In addition to the plaintiff's malpractice claims, the involved attorneys also will be litigating their respective contribution claims against each other. What life lessons and practice pointers can be gleaned from this cautionary tale of pointing fingers? At least three points come to mind.

**First, obtain written retainer agreements that include "scope of representation" and "withdrawal from representation" provisions.** Had ATS&K entered into a formal retainer agreement, it might have had an opportunity to limit the scope of its representation. In reality, it was being used as a mail-drop. However, according to plaintiff's expert witness and the revisionist history that often characterizes patent legal malpractice allegations, ATS&K was supposed to have closely inspected the application and discovered its various flaws. In actuality, ATS&K had not been involved in any substantive patent application drafting. Had a written retainer agreement been drafted, the firm may well have been able to limit its representation explicitly. It could also have included a provision that the firm may withdraw for non-payment of fees or costs reasons.

**Second, send letters confirming the closure of case files and cessation of representation.** Despite the passage of years that could have supported a viable statute of limitations defense in this case, the court could not grant a motion for summary judgment on that ground because of the "continuing representation" rule. Under that rule, the statute of limitations is tolled for as long as there is a mutual understanding between the attorney and client of the need for further representation regarding the specific subject matter underlying the malpractice litigation. The continuous representation rule is especially pointed in patent matters because patent prosecution activities take place over long periods of time with sequential periods of inactivity.

Protostorm's principals were never *unequivocally* told that ATS&K and Hogue would no longer represent Protostorm. Rather, the attorneys' oral conversations with Protostorm's principals left them with the impression that their attorneys would be taking care of PCT procedural requirements and that Protostorm should expect nothing to happen with respect to patent prosecution for an extended period of time. Faced with these mixed factual messages, the Court could not grant summary judgment in patent counsel's favor on statute of limitations grounds. Had a closing letter been written, however, a statute of limitations defense may well have been a dunk shot for dismissal of Protostorm's malpractice claims under applicable New York law.

**Third, do not assist non-practitioners or non-lawyers in preparing and filing patent applications; or in other words, you should know the USPTO credentials of those with whom you are collaborating on**



patent matters in order to protect yourself from aiding and abetting the unauthorized practice of patent law. The involvement of unsupervised, non-patent practitioners in the preparation and filing of the second provisional patent application cast a large dark cloud of legal uncertainty over Protostorm's PCT patent application. Pursuant to 37 C.F.R. § 10.47(a), a "practitioner shall not aid a non-practitioner in the unauthorized practice of law before the Office." Per 37 C.F.R. § 10.47(c), a "practitioner shall not aid a non-lawyer in the unauthorized practice of law."

While it may be tempting to work with a client's slicing and dicing arrangements regarding patent application preparation, doing so can lead to the untoward facts that characterize this case. According to ATS&K's ethics expert witness (Professor David Hricik) Worthington's unauthorized filing of a second provisional patent "by itself, would have severely reduced if not eliminated the likelihood that any patent would have been ever been enforced in litigation or otherwise." See Dkt No. 299, at p. 23 of 71 (*Protostorm v. ATS&K, et al.*, Case No. 1:08-cv-00931 (E.D.N.Y.)).

Further, you may have to determine whether you have a self-reporting duty to inform the USPTO about the conduct of others unlawfully involved in the preparation and filing of an unauthorized patent application. Among other things, this obligation may arise under the duty of candor imposed by 37 C.F.R. § 1.56. ATS&K's ethics expert witness opined that Worthington, Protostorm and its regular counsel (the Duval firm) "each violated Rule 1.56 and the duty of candor by not disclosing Mr. Ginley's and Ms. Worthington's involvement [in the preparation of the second provisional patent application] to the [USPTO] while that application was pending." See Dkt No. 299, at p. 23 of 71 (Case No. 1:08-cv-00931 (E.D.N.Y.)).

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If you are ever called upon to assist in the delegation of patent prosecution tasks among and between law firms and solo practitioners in the future, a review of the *Protostorm* summary judgment record may well quell your appetite for engaging in this kind of joint business venture—regardless of the prevailing economic climate.