

a client to the extent necessary to permit the client to continue patent or trademark prosecution, or litigation. The payment of these additional expenses is limited to those strictly necessary to sustain the client during patent prosecution or the litigation, such as medical expenses and minimum living expenses. Permitting such payments would bring the proposed rules in conformity with the Rules of Professional Conduct adopted for many state bars. The purpose of permitting such payments is to avoid situations in which a client is compelled by exigent financial circumstances to continue patent prosecution, or settle a claim on unfavorable terms in order to receive the immediate proceeds of settlement. This provision does not permit practitioners to "bid" for clients by offering financial payments beyond those minimum payments necessary to sustain the client until the patent prosecution or litigation is completed. Regardless of the types of payments involved, assuming such payments are proper under § 11.108(e), client reimbursement of the practitioner is not required. However, no practitioner is required to pay litigation or other patent costs to a client. Section 11.108 would merely permit such payments to be made without requiring reimbursement by the client.

*Paragraph (e)(3) of § 11.108* would continue the present practice of permitting a practitioner to advance any fee required to prevent or remedy an abandonment of a client's application by reason of an act or omission attributable to the practitioner and not to the client, whether or not the client is ultimately liable.

*Paragraph (f) of § 11.108—Person Paying for Practitioner's Services.* Section 11.108(f) would require full disclosure and client consent before the practitioner's services can be paid for by a third party. Such an arrangement would also have to conform to the requirements of § 11.106 concerning confidentiality and § 11.107 concerning conflict of interest and risks. Where the client is a class, consent may be obtained on behalf of the class by court-supervised procedure. The disclosure and consent must be in writing.

The only interest of some of third parties that offer a practitioner's legal service may be a financial one: closing the sale of a legal service, such as a living trust or patent application, to the individual. Such a party, *e.g.*, an invention promoter, facilitates the practitioner's access to such individuals. The practitioner may depend upon the promoter for employment, and even compensation in these circumstances. In such situations,

the promoter can control the engagement of the practitioner. Potential conflicts may arise where the practitioner permits the third party, with whom the practitioner has a business or financial relationship, to perform the essential planning tasks, including fact-finding without supervision. The practitioner should be exercising independent professional judgment.

In order to create an appropriate patent application, relevant information must be ascertained from the inventor. The practitioner must, with the inventor's input, determine the proper type of patent application to prepare, the facts to be included, and the scope of protection to be sought. The practitioner must counsel an inventor regarding all of the options that are appropriate and the pros and cons of each option. After such counseling, the participant (*e.g.*, an inventor) must decide if a patent application, or some other arrangement should be the cornerstone of the intellectual property plan. If a practitioner permits an invention promoter to assume this function, the practitioner allows a third party to interfere with the practitioner's independence of professional judgment. *See* § 11.107(b). *Accord*, Formal Opinion No. 1997-148, Standing Committee on Professional Responsibility and Conduct (California).

Accordingly, in matters involving an invention promoter paying the practitioner, proposed paragraph (f) would require practitioners to fully disclose all involved conflicts of interest and risks. The duty of full disclosure includes informing the inventor of reasonably foreseeable adverse consequences if the inventor advances or has advanced legal fees or expenses to the promoter. Thus, the practitioner would have to inform the client of the full extent to which the advanced funds are or would be at risk of being lost by being placed with the promoter, as opposed to being delivered directly to the practitioner. The risks could include, but are not limited to, the loss of the funds if the promoter ceases doing business, declares bankruptcy, or is otherwise unable to obtain a refund of unearned advanced legal fees. In contrast, the client could obtain the refund if the funds are delivered to the practitioner. For example, if delivered to the practitioner, the advanced legal fees should be deposited in the practitioner's escrow account. *See* § 11.115. Unearned funds would be refundable to the client, even if the practitioner ceases to continue practicing, and may not be subject to bankruptcy. Another risk in the event the promoter ceases to do

business, or declares bankruptcy is the possibility that the practitioner will refuse to provide legal services for the client unless the client again provides funds to pay for legal services for which the client previously paid.

*Paragraph (f)(1)(ii) of § 11.108* would provide if the client is an inventor who advances legal fees and costs to an invention promoter, and the promoter compensates the practitioner, the practitioner has a duty to disclose to the client all conflicting interests and risks in writing.

*Paragraph (2) of § 11.108(f)* would require a practitioner to avoid interference with his or her independence of professional judgment if a third party is paying for the practitioner's services. Thus, a practitioner must avoid relying on a contract or other agreement between a client/inventor and an invention promoter as limiting his or her professional services rendered to a particular number of applications, *e.g.*, a provisional application, or to a particular type of invention for which an application will be filed, *e.g.*, a design patent application.

An invention promoter can interfere with the attorney-client or agent-client relationship between the practitioner and inventor-client in several ways. First, the promoter can interfere with the attorney-client or agent-client relationship between the practitioner and inventor. For example, this can occur if the promoter determines the legal protection that the practitioner will seek for the inventor. These situations obtain where a promoter enters into a contract with its patron, the inventor, using its standard contract form to provide only design patent protection, or only utility patent protection. If the practitioner permits the promoter's contract to control the extent to which legal services are provided for the fee paid by the inventor, the practitioner permits the promoter to direct or regulate the practitioner's professional judgment.

The invention promoter also may interfere with the relationship by collecting the legal fees to be paid for the practitioner's legal services. For example, if the promoter deposits the funds in its own bank account, and does not pay the practitioner, the promoter interferes with the relationship to the extent the practitioner refuses to provide legal services unless or until paid. A practitioner may be willing to continue representation only if the inventor-client again pays for the legal services, but only if legal fees are now paid directly to the practitioner. Inasmuch as the practitioner undertook