

FICPI Forum session 6.2 - outline

"Are you engaging?": Engagement Letters and Effective Communication

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Core to a harmonious and professional relationship, be it legal, contractual or otherwise, between a patent attorney (or any other IP legal advisor) and his/her client, as well as between IP professionals, is a clear understanding of the rights and obligations which each party has towards each other.

Regretfully, the absence of contractual arrangements between advisors and their clients, as well as between advisors and third parties engaged by such IP advisors in furthering their client's interests in third countries, is not an uncommon state of affairs in the IP advisory sector of many jurisdictions. In some jurisdictions, IP advisors are integral part of the general legal profession and are subject to the same stringent rules as apply in many countries to solicitors / lawyers practising in other areas of law. For example, Australian lawyers in general practice are subject to stringent information and disclosure requirements prior to and following engagement of a lawyer by a client. These include scope of work to be performed / services to be provided, cost estimates, time frames of completion of a matter, dispute arbitration, amongst others. These terms of engagement form part of and lead to contractual rights and obligations between the parties. Similar rules apply in the USA and some European and Asian countries.

The session will also briefly canvas the need (or obligation) of IP professionals to 'educate' their clients as regards the process and cost risk exposure in seeking to obtain and protect IP rights in third countries. Many SME clients in particular appear to lack familiarity with the ins and outs of securing a 'world patent'. How much or how little information is necessary to meet obligations of disclosure prior to or during your engagement by a client. How can you provide relevant information that is properly packaged and meaningful, having regard to the usual vagaries of the IP registration and enforcement process.

More vexed is the question as to rights and obligations that may exist or come to bear when an IP advisor engages the services of a colleague in a third country for the purpose of furthering the IP advisor client's rights. Because such engagement is effected across national (legal) borders, questions of international contract law may have to find consideration, rather than 'narrower' national views.

The presentation will seek to shed some light into matters that require consideration and/or addressing when entering into a contract for the provision of IP advisory services with a client. These will be illustrated based on a 'template' for terms and conditions of

service, prepared many years ago under the auspices of FICPI Australia, for the use by its members. At the time, the template was deemed to include minimum requirements to meet good legal practice requirements, albeit falling short of the more stringent rules for general legal practitioners (lawyers/solicitors) in Australia. This model template will be contrasted to terms of engagement and business used by a number of IP advisory firms across different jurisdictions.

The presentation will also seek to identify matters that should be considered prior to and when engaging an IP lawyer/ attorney / firm in a third country. Is such engagement to be effected by way of 'agency' or directly between the client and the foreign associate? Who pays the bill in case of disputes? Retainers or trust? Whilst not wanting to provide solutions, as the preferred form of engagement / contract will depend on the specific circumstances, the presentation seeks to alert the audience to existing 'gentlemen rules of engagement' contained in the articles of association of FICPI international.

An important part of the session will be the Q&A session at the end of the presentation, for participants to highlight rules that may be specific to their country of legal practice, e.g. advance waivers commonly encountered in the USA, conflict of interest waivers, etc.

Clear Communication with Clients:

Letters of Engagement:

You and the Law,

You and your Client,

You and Third Parties (e.g. Correspondents)

Presented by Christian Schieber
FICPI Forum Munich, Germany
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Outline

- I. Introduction
- II. Law: Legislation, Contracts of Service, Professional Codes of Practice, FICPI Code of Ethics
- III. Client – Attorney Engagement Terms: the FICPI AU example
- IV. Cross-border jurisdictional issues and engaging third parties (correspondents)
- V. Discussion



I. Introduction

Picture the following scenario:

A new product line manager of an existing **client** of your firm asks you late one evening to obtain a registration for the client's latest trade mark in your country of residency, USA, China and Indonesia as a matter of **urgency**...





II. The Law

Contract of Services

IP Professionals provide a service for remuneration.
A contract is required

Legislation

IP Professionals are part of the legal profession
Corporate Clients are subject to corporation and other laws

Codes of Practice

IP Professionals are subject to legislated Codes of Conduct and Practice

FICPI (and other voluntary associations)

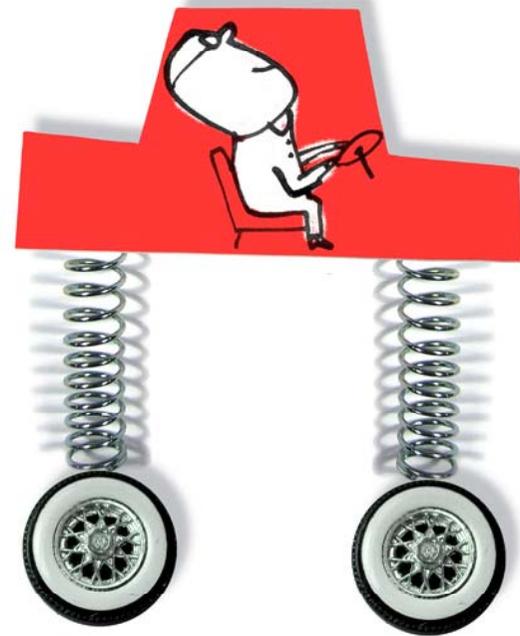
Association Statutes include Code of Ethics



Contract of Services

Would you purchase a car without a contract of sale?

One way of thinking about terms of engagement is that these should contain clauses that set out the scope of **services** to be provided and clauses that deal with those issues about which **disputes** could arise between **parties** in performing the **contract**.





Contract of Services

Should contain detailed information to enable **both parties** to be fully aware of their rights and obligations to each other and sanctions or remedies for defaulting or not meeting **rights** and **obligations**

Should contain clauses that set out scope and terms of services to be provided.





Legislation Requirements

From the perspective of **IP Professional**:

Clauses required to meet, general, non-profession specific statutory requirements:

- Taxation issues, eg Goods and Services Tax (GST; VAT) applicability to services provided by IP Professionals
- Privacy Law issues, concerning compiling / storing / use of personal information in electronic databases
- European / US Anti Money Laundering Regulations, eg requirement of disclosure to formally identify party who is the **client** (no 'straw man' client)



Legislation Requirements

From the perspective of **Client**:

Clauses required to meet general statutory requirements,
eg

- EU / US Money Laundering Legislation
- Anti-Trust legislation
- Anti-Corruption legislation
- Taxation legislation
- Disclosure legislation
- Corporations legislation



Legislation Requirements

From the perspective of **Client**:

Clauses required to meet company statutory and governance rules, eg

- Who has power to bind corporation
- General retainer and/or retainer on specified matters only
- Statutory and other reporting requirements
- Accounting policies
- Communication / Correspondence policies
- Billing and Disbursement guidelines



Codes of Professional Practice

Clauses required to meet Professional statutory obligations:

as exemplified for Australian IP Professionals

For **Lawyers** (Solicitors): Commonwealth and/or State legislation regulating legal professions, eg

- Legal Professions Act (VIC) 2004
- Professional Conduct and Practice Rules 2005 issued by the Law Institute of Victoria Limited



For **Patent and Trade Marks Attorneys**, eg

- Patents Act 1990 and Trade Marks Act 2005
- PSB Code of Conduct under the Regulations to the Patents Act 1990



Codes of Professional Practice

PSB Code of Conduct: 
as exemplified for Australian Patent & TM Attorneys

3.2 Code of Conduct of Attorney

4 What is Expected of Clients (intended to assist client in understanding what makes for a successful relationship with attorney):

5 Provisions regulating Complaints by Clients of Attorneys



Code of Ethics: IPTA

Clauses to meet Code of Ethics obligations where IP Professional is member of a ‘compulsory’ professional association

as exemplified for Australian Patent & TM Attorneys

- Over 90% of Registered Patent Attorneys are members of the Institute of Patent and Trade Marks Attorneys (IPTA)
- About 100 Registered Patent and Trade Marks Attorneys, being Principals / Partners in Patent and Trade Marks Attorney firms, are members of FICPI Australia
- IPTA has  a Code of Ethics which members are to follow. These are similar to FICPI Australia’s Code of Ethics



Code of Ethics: FICPI

Clauses to meet Code of Ethics obligations where IP Professional is a member of a voluntary professional association

as exemplified for Australian IP Professionals

- Memorandum of Association of the Australian Federation of Intellectual Property Attorneys, Art 47 (By-Laws, Code of Ethics and Guidelines to Code of Ethics); these contain most if not all provisions of the code and guidelines issued by IPTA, but could be more stringent
- FICPI International Articles 2, 4, 9(B)(2), Sections X and XI of the Rules, ie Rules 16 to 19 and the Code of Professional Conduct, i.p. Rules 4 to 7 and 9





Summary of Considerations

It will be appreciated from the above that there are needs common to service provider and clients which make inclusion of many clauses in standard terms of business uncontroversial.

However, the rules / regulations to which a client is subject to, either by its charter / articles of association / policies or the law, and the obligations which IP practitioners are required to meet also pursuant statutory and professional **codes of conduct**, are overlapping but different.

It is important that these different obligations which are areas for conflict potential be identified and resolved to avoid misunderstandings as regards the actual terms of engagement which the parties profess to be working under.



III. Client – Attorney Engagement Terms

Documents governing Terms of Engagement:

General Terms of Engagement and Additional Terms of Engagement

General Terms of Engagement: What should these contain?

Specific Terms of Engagement: How should these be set out?

FICPI Australia General Terms of Engagement



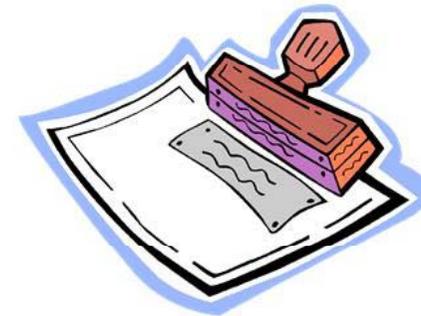
General Terms of Engagement: What should these contain?

1. What Services do we offer
2. How do we charge, for what and how often
3. Case management
4. Progress of Matters:
Our reporting
5. Instructions: What we expect of you
6. Abandonment of matters
7. Our ongoing obligations:
confidential information, etc
8. How we communicate
9. Queries, Difficulties, Dispute resolution
10. Withdrawing Representation
11. Privacy & Credit reporting
12. File Content, Samples and Documents
13. 'The Legals': Variation, severability, governing law



Specific Terms of Engagement: How should these be set out?

1. Scope of Engagement:
What are you providing, General, Specific or both
2. Expected term or time line for completion of service
3. Client Relationship:
Who is responsible for what
4. Case management:
What has or will happen, by who and by when
5. Specific fees of people involved in service / project delivery
6. Fixed fee and variation triggers
7. Professional indemnity insurance cover
8. What ever else you can think of





Standard Engagement Terms: FICPI AU and others

FICPI Australia General Terms of Engagement



Attorney example of General Terms of Engagement



Attorney Example of Engagement Letter



Example of Patenting Procedure Outline





IV. Cross-border jurisdictional: engaging correspondents

- There are no ‘standard’ (one solution fits all) ways of engaging correspondents and jurisdiction clauses
- Should ‘Place of service delivery’ dictate governing law for dispute resolution and contract interpretation?
- Should ‘Residency place of client / principal’ dictate governing law for dispute resolution and contract interpretation?





Balancing interests: engaging correspondents

- Should correspondents be engaged by client of principal IP Professional or the latter? Does this alter outcomes as regards dispute resolution?
- Professional Indemnity Insurance coverage should be front of mind too
- Governing law and dispute resolution clauses subject to WIPO mediations / arbitration rules?





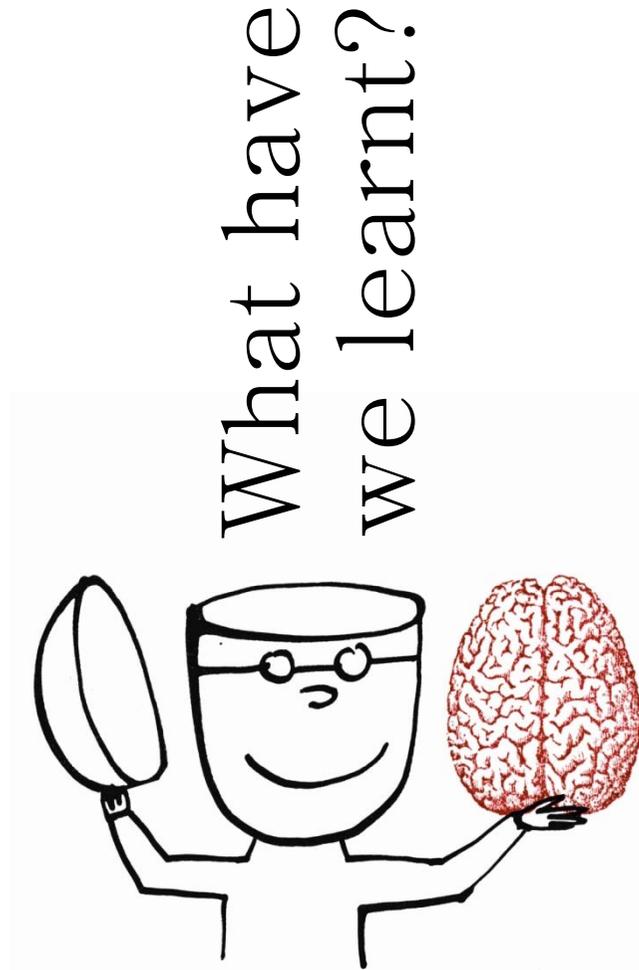
Engaging FICPI correspondents:

- FICPI Statutes, Rules and Code of Ethics provide 'advantages' and 'benefits' when engaging FICPI members as correspondents in overseas jurisdictions





IV. Discussion

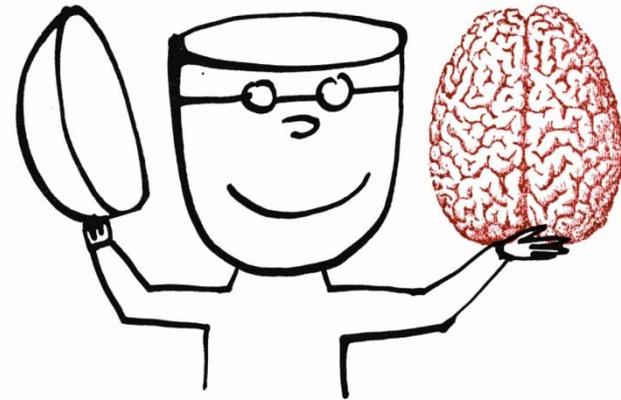




IV. Discussion



What have
we learnt?



Clear Communications with Clients:
Terms of Engagement



Thank You

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