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### Solving Ethical Puzzles to Unlock University Technology Transfer Client Work for an Intellectual Property Legal Clinic

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## ARTICLE

### SOLVING ETHICAL PUZZLES TO UNLOCK UNIVERSITY TECHNOLOGY TRANSFER CLIENT WORK FOR AN INTELLECTUAL PROPERTY LEGAL CLINIC

CYNTHIA L. DAHL<sup>1</sup>

#### ABSTRACT

*Intellectual property (IP) and technology legal clinics are experiencing an unprecedented surge in popularity. Before 2000, there were only five such clinics, but by 2016, there were seventy-four, with fifty added since 2010 alone.<sup>2</sup> As law schools are approving new IP clinics and as practitioners are developing syllabi, there is an increasing need to share knowledge about models that work and how to avoid pitfalls.*

*One potentially fertile—but traditionally underutilized—source of client work for an IP and technology clinic is the university technology transfer office (TTO), the department that protects, markets, and licenses all university intellectual property (IP). Through TTO projects, students access cutting-edge technologies, grapple with sophisticated legal concepts, and conform their legal counsel to business realities. Yet very few IP clinics accept TTO projects at all, let alone focus on them as a sizeable percentage of their docket.*

*This disconnect might be explained by the unexpected and thorny ethical challenges that this work can present. For example, with disclosure, an especially acute concern with high-stakes patents, are students who are not members of a state Bar sufficiently bound to a duty of confidentiality? What happens to attorney-client privilege when students from the business school and students from the law school work together on a project? When the project involves advising*

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<sup>2</sup> Survey by Cynthia L. Dahl and Victoria Phillips for upcoming paper, tentatively entitled “Setting Another Place at the Table: A Survey to Compare Intellectual Property and Technology Clinics and Examine Their Growing Role Within the Clinical Community.”

*a new spin-out venture built around a university-owned technology, how can the students share the advice with both the TTO and the venture without compromising privilege, breaching confidentiality, and running the risk of developing a conflict of interest? And finally, if the project exposes students to prior art when there is an active patent application, are they ethically bound to report the information, even if it may defeat the client's patent?*

*Drawing on the specific experiences of a clinic that has been doing tech transfer work for four years, this article first suggests a model for engagement and then identifies and analyzes some of the most important ethical challenges this work presents. Analyzing the Model Rules, the USPTO Guidelines, and the latest case law in the areas, it suggests solutions for clinics interested in working with the TTO to unlock great potential for student professional development, university innovation, and scientific and technological entrepreneurship in the community.*

## I. INTRODUCTION

A medical school researcher at a major research university has discovered an ingenious blood anti-coagulant. Its delivery system could make treatment more effective for millions of people. However, the market is crowded with hundreds of patents, and recent developments in the law make successfully patenting such innovations less than certain. The issue? He needs to decide which of his patent applications is strongest and most critical to launching a product, because his start-up company has limited cash and must pay a licensing fee to the university for each necessary patent. He also must know if there are other patents that may block his success, so that he can prepare to innovate, license, or partner. In short, he needs a licensing strategy informed by IP research.

Elsewhere on campus, an engineering professor has developed a robot that can unfurl in tight spaces through a proprietary mechanism. It is strong yet maneuverable. The issue? She must identify the potential markets that hold the most promise, given possible customers, competitors, and other patents for related technologies. And then she must evaluate if her patent, as drafted, will sufficiently protect her product against would-be competitors, or if she should attempt to broaden its coverage. In short, she needs a protection and commercialization strategy informed by IP research.

Such in-depth IP research can be cost-prohibitive for even well-heeled university technology transfer operations, simply due to the sheer number of promising technologies demanding attention at any one time. Yet this research can make the difference between whether a spin-off company succeeds or fails.

Law students can help.

For the past four years, the Detkin IP and Technology Legal Clinic (the Detkin IP Clinic or the Clinic) has seized an opportunity to work with the world-class technology transfer office at the University of Pennsylvania (Penn), known as

Penn's Center for Innovation (PCI).<sup>3</sup> Detkin IP Clinic students support PCI and Penn's research by stepping in at critical junctures when legal research and analysis can help a research team or fledgling spin-off take the next step toward commercialization with more confidence. This opportunity has enriched the students' law school experience, in addition to benefiting the university and its researchers.

But running a clinic that has a TTO as a major client presents markedly different challenges than running a more traditional transactional clinic servicing individual inventors or smaller start-ups. There are of course substantive challenges to having students work with very complicated inventions and technologies. There are pedagogical and logistical challenges inherent in working with an institutional client. And perhaps most strikingly, there can be professional ethics challenges to navigate, particularly involving upholding the duty of confidentiality and maintaining the attorney-client privilege. This article aspires to provide guidance to other clinics so they may successfully avail themselves of this rich source of work that benefits both students and their institutions.

Part II describes the working relationship between the Detkin IP Clinic and PCI to provide one example of how a clinic and a tech transfer office can work together. Part III discusses and suggests solutions for the substantive, logistical, and pedagogical challenges that such a working arrangement might present. And Part IV describes and discusses solutions to four of the ethical challenges we have faced in detail, including: i) binding students to a duty of confidentiality outside of student practice rules; ii) maintaining confidentiality and privilege when bringing non-lawyer consultants in to consult on a case; iii) maintaining confidentiality, privilege, and avoiding conflicts of interest when projects involve two companies; and iv) navigating disclosure obligations when researching technology covered by a pending patent application.

## II. AN EXAMPLE OF A CLINIC/TECH TRANSFER ARRANGEMENT: THE DETKIN IP CLINIC AND PCI

Although there are several ways to structure a clinic/TTO relationship,<sup>4</sup> the

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<sup>3</sup> DETKIN INTELLECTUAL PROPERTY & TECHNOLOGY LEGAL CLINIC, <https://www.law.upenn.edu/clinic/intellectualproperty/> [<https://perma.cc/828P-JFN9>] (last visited Nov. 6, 2016).

<sup>4</sup> A handful of other schools have clinics that also currently do some work with their university technology transfer offices, including: the University of Notre Dame Law School; the University of Virginia School of Law; the University of Washington School of Law; and the University of Michigan Law School. *Edging Out a Patent with Notre Dame Law Students*, UNIV. OF NOTRE DAME THE LAW SCH., <http://law.nd.edu/news/61898-edging-out-a-patent-with-notre-dame-law-students> [<https://perma.cc/PEV4-QX4Z>] (last visited Nov. 12, 2016); *Patent and Licensing Clinics*, UNIV. OF VIRGINIA SCH. OF LAW, <https://www.law.virginia.edu/html/academics/ip/ipclinic.htm> [<https://perma.cc/J7ZS-D838>] (last visited Nov. 12, 2016); *Entrepreneurial Law Clinic*, UNIV. OF WASHINGTON SCH. OF LAW,

Detkin Clinic/PCI relationship is one example. This Part II starts by introducing the parties and detailing the genesis of our working relationship, and then describes the kinds of work projects that we have handled throughout the last four years.

A. *The Detkin Clinic*

The Detkin IP Clinic<sup>5</sup> is a one-semester law school class taught by full-time faculty structured as a “teaching law firm.” It is offered in the spring and the fall semester, with eight to ten students per term. A twice-weekly seminar introduces concepts and skills through simulation and reflection, all to prepare the students to learn through their work for at least two live clients.

In past terms the Clinic has been open to all students, but starting in the fall semester 2015, we instituted admission through application only. The shift was designed to ensure there were enough students with prior scientific or technical backgrounds to accommodate complicated PCI work. As Clinic Director, I choose students with relevant coursework and backgrounds, and ensure that all students have a grounding in patent concepts, as well as experience working alongside technical partners, by conducting a patent claims drafting simulation within the seminar. In the seminar, the Detkin IP Clinic students partner with students from Penn’s School of Engineering and Applied Science (SEAS).<sup>6</sup> Besides PCI client work, the Detkin IP Clinic students also handle individual clients including entrepreneurs, inventors, artists, and nonprofits.<sup>7</sup>

B. *Penn’s Center for Innovation:*

Technology transfer offices in a university are charged with translating early

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<http://www.law.washington.edu/Clinics/Entrepreneurial/about.aspx> [https://perma.cc/4XTK-7FTT] (last visited Nov. 12, 2016); *FAQs About the Clinic*, MICHIGAN LAW ENTREPRENEURSHIP CLINIC UNIV. OF MICHIGAN, <http://www.law.umich.edu/clinical/entrepreneurshipclinic/about/Pages/FAQs-About-the-Clinic.aspx> [https://perma.cc/6945-4EGG] (last visited Nov. 12, 2016). Still other clinics have worked with their technology transfer offices in the past. These include: The University of Detroit Mercy School of Law, the Arizona State University Sandra Day O’Connor College of Law, the George Mason University School of Law, and the University of Utah S.J. Quinney College of Law. Although I have tried to include all relevant clinics in this list, I regret if I have omitted any.

<sup>5</sup> The Detkin Clinic was funded by a generous gift from Peter Detkin, EE’82, L’85, founder of Intellectual Ventures. See DETKIN INTELLECTUAL PROPERTY & TECHNOLOGY LEGAL CLINIC, <https://www.law.upenn.edu/clinic/intellectualproperty/> [https://perma.cc/828P-JFN9] (last visited Oct. 3, 2016).

<sup>6</sup> For a detailed explanation of this module, see generally Cynthia L. Dahl, *Teaching Would-Be IP Lawyers to ‘Speak Engineer’: An Interdisciplinary Module to Teach New Intellectual Property Attorneys to Work Across Disciplines*, 19 LEWIS & CLARK L. REV. 361 (2015).

<sup>7</sup> DETKIN, *supra* note 3.

stage discoveries and ideas generated in the university lab or classroom into products that could benefit consumers in the market.<sup>8</sup> PCI facilitates technology development connections between Penn and the private sector by managing the IP protection and licensing of all Penn-owned technology (which includes all inventions and technology developed with Penn resources or facilities), incubating technologies and technology ventures, managing sponsored research agreements and materials transfer agreements, and seeking strategic technology and commercialization partnerships for the university.<sup>9</sup>

As part of the commercialization effort, PCI Ventures, a division of PCI, runs the UPstart program to help interested Penn faculty and staff commercialize their Penn-owned ideas through the creation of a business.<sup>10</sup> UPstart launches and organizes the new business, providing all logistical support and a framework that allows the founders to remain at Penn and avoid risky capital expenditures.<sup>11</sup> UPstart provides management team recruitment services, introductions to investors, market research, preferred partner relationships, a legal document library, commercialization grant preparation, and help with IP strategy.<sup>12</sup> The businesses are structured as partnerships between the founding faculty or staff and Penn. PCI and PCI Ventures also run a National Science Foundation-funded I-Corps business accelerator for Penn teams with very early stage ideas.<sup>13</sup>

The funder of the Detkin IP Clinic saw an opportunity in having law clinic students work with PCI, both as a vehicle to vividly demonstrate to students the interplay between law and business in the commercialization of innovation, and as a chance to provide services that PCI could not otherwise afford to deliver to its inventors, either because of manpower or funding limitations. There is tremendous value in exposing law students to the work of a powerful institutional technology transfer office. Students work with cutting-edge technologies invented by world-renowned academics. Students also are privy to the decisions involved in managing and maximizing the value of an enormous international patent portfolio. Since the technology is so early stage, they can witness the so-

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<sup>8</sup> See URVentures, *What is Technology Transfer?*, <http://www.rochester.edu/ventures/about/what-is-technology-transfer/> [https://perma.cc/TNK6-XTJ3] (last visited Nov. 14, 2016).

<sup>9</sup> For more information about PCI, see *generally About Us*, PENN CENTER FOR INNOVATION, <http://www.pci.upenn.edu/about/> [https://perma.cc/BJ8Q-AS9R]. (last visited Oct. 9, 2016).

<sup>10</sup> *UPstart*, PENN CENTER FOR INNOVATION, <http://pci.upenn.edu/upstart/> [http://perma.cc/VE24-J49K] (last visited Oct. 5, 2016).

<sup>11</sup> *Id.*

<sup>12</sup> *Services*, PENN CENTER FOR INNOVATION <http://pci.upenn.edu/services/> [https://perma.cc/ZZ9V-KB84] (last visited Nov. 6, 2016).

<sup>13</sup> See *Penn I-Corps Site*, PENN CENTER FOR INNOVATION <http://pci.upenn.edu/icorps/> [https://perma.cc/XGG6-DNPR] (last visited Nov. 6, 2016).

called “Valley of Death”—the vast gulf of time, money and effort that inventors of early stage ideas must cross before they can achieve successful commercialization<sup>14</sup>—playing out before them. They learn that a good idea does not automatically seed a strong company, and they learn how IP protection is a means to a business end, instead of an end in itself. These are lessons that students might not otherwise be able to learn until they have practiced for several years, and only if they are lucky enough to have the right clients and opportunities. Of course, PCI gains the benefit of research that would otherwise be too cost prohibitive to perform, which often gives critical information or welcome confirmation as to protection strategies and licensing or commercialization options.

### C. *The Client Work*

Over the past four years, Detkin IP Clinic students have handled projects out of several different departments of PCI, each providing a unique opportunity to work with different stages of the IP protection and commercialization process: i) Intellectual Property; ii) Legal; iii) Ventures; and iv) Licensing (several departments with jurisdiction over different schools within Penn). For a variety of reasons explained further below, the work out of the Ventures and Licensing departments has provided the most satisfying experience for both parties. However, I include a discussion of the work we have done for all departments both because our lessons learned might be valuable and because the experience might differ at other schools that have other parameters or circumstances.

#### 1) Intellectual Property (Patent Prosecution)

The PCI Intellectual Property department makes decisions about how best to protect Penn’s early stage technologies. It works with faculty to elicit invention disclosures, then “triages” the new ideas, deciding if Penn should take formal steps to protect the inventions by filing either a provisional or nonprovisional patent,<sup>15</sup> or potentially protecting the inventions through different means.

Students initially drafted office action responses for pending nonprovisional

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<sup>14</sup> See, e.g., Philip E. Auerswald & Lewis M. Branscomb, *Valleys of Death and Darwinian Seas: Financing the Invention to Innovation Transition in the United States*, 28 J. TECH. TRANSFER 227, 229 (2003); T. Randolph Beard et al., *A Valley of Death in the Innovation Sequence: An Economic Investigation*, 18 RES. EVALUATION 343 (2009); Charles W. Wessner, *Driving Innovations Across the Valley of Death*, 48 RES. TECH. MGMT. 9 (2005).

<sup>15</sup> Filing a provisional patent can reserve a filing date for a relatively low cost for up to a year. If the inventor converts the provisional to a nonprovisional patent within one year, he keeps the original provisional filing date for all material originally disclosed. *Provisional Application for Patent*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/provisional-application-patent> [<https://perma.cc/YA85-VQAG>] (last visited Nov. 6, 2016).

patent applications.<sup>16</sup> Although students learned about the patentability standard and had to craft very technical arguments, it was awkward to join the project midstream, particularly when the prosecution was already being handled by an outside law firm.<sup>17</sup> This type of project can be fruitful, but it requires that students have sufficient background in the science behind the patent to not waste time learning substance.<sup>18</sup> In addition, the outside counsel must be willing to share access to the inventor and provide appropriate supervision and feedback for the work, and the deadline for the office action response must be timed toward the end of the semester. Given the delicate parameters necessary for these projects, the Detkin IP Clinic has not continued to pursue such work. However, responding to office actions could be a good learning experience for clinic students not operating under the same limitations, for example if the technology transfer office handles its own prosecution in house, or if the clinic is a year-long course.

We have also considered having students file provisional or nonprovisional patent applications for Penn inventions outright, since several Detkin IP Clinic students have been registered patent agents. However, because of PCI's structure of outsourcing, this work is already being done competently by outside firms. In addition, PCI fears that a decision to hire the Clinic rather than an outside firm might (wrongly) indicate to the university inventor that PCI has only a second-tier interest in the invention.<sup>19</sup> As a result, there are management and perception issues to work out before this can be viable work for the Clinic students. However, students have had great success drafting patents over student, as opposed to faculty, inventions.<sup>20</sup> Although this is technically not work

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<sup>16</sup> Office actions are arguments from the USPTO as to why a patent cannot issue, to which the applicant must file a formal response. *Responding to Office Actions*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/trademarks-maintaining-trade-mark-registration/responding-office-actions> [<https://perma.cc/L8T4-5ZE7>] (last visited Nov. 6, 2016).

<sup>17</sup> PCI outsources all of its prosecution work.

<sup>18</sup> One student we assigned had her PhD in neuroscience and the other had his Masters in biochemistry.

<sup>19</sup> On the contrary, Clinic patents get much more attention than the typical outsourced patent. Since the work is done for free, Clinic students are able to spend many more hours on the application, turning out a potentially more complete finished product than would be feasible for an attorney billing by the hour.

<sup>20</sup> Under the Penn Patent Policy, Penn does not own the inventions of the vast majority of undergraduate or graduate students, including those in the School of Design, the School of Engineering and Applied Sciences, and the Wharton School of Business. Nonetheless, the Clinic is careful to have inventors seek a waiver of ownership from PCI before we take on this work. Although it would not present a conflict of interest to draft the patent even if Penn were to own the student invention, we need to make sure that we know the identity of our client. For background, see *Patent and Tangible Research Property Policies and Procedures*

for PCI, it does promote innovation at Penn. Such inventions have included a flushable pregnancy test and a public bike lock.<sup>21</sup>

Finally, PCI's Intellectual Property department has asked the Clinic to help evaluate the strength of PCI patents at critical stages in their prosecution, such as when PCI must decide whether to convert a provisional patent into a nonprovisional patent, or when PCI decides whether and where to file the patent overseas. Since PCI has limited resources, it needs data to ensure it is pursuing only its strongest and most promising patents. While such analysis might be valuable to PCI, we must ensure that the project is also pedagogically helpful for the students.<sup>22</sup> If the analysis is over disparate patents without context, and does not provide an opportunity to interact with the inventors, it may not be as valuable as other projects we do for PCI. The students thrive when they have opportunities to define the problem themselves and craft and implement solutions, which may not happen when the project is proscribed and discrete. If we are able to ensure that the pedagogical goals for students are met, then this sort of work might be suitable for future semesters.

## 2) Legal

PCI has several resident lawyers that perform and oversee the contracting behind all Penn technology licensing negotiations and deals.<sup>23</sup> We have in past semesters accepted this department as a clinic client, marking up simple agreements—such as nondisclosure agreements and material transfer agreements—and doing legal research. This work introduces students to the workings of a sophisticated in-house legal operation and provides valuable inside lessons about the risk tolerance level, philosophy, and contract terms of a university client. However, many of the subject agreements must be turned around more quickly than our clinical supervisory structure will allow. In addition, there is a learning curve to understanding PCI's deal terms that is difficult to impart over a few short assignments. In order to reap the benefits of the exposure while still

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*of the University of Pennsylvania*, 2015 U. PA. ALMANAC SUPP. 1 (effective July 1, 2015), available at <http://pci.upenn.edu/wp-content/uploads/2015/10/patent-policy-7-1-15.pdf> [<https://perma.cc/44YW-H8FW>].

<sup>21</sup> These patents might not otherwise have gotten filed, or filed quickly, and the clients were extremely grateful for the services. One of the clients opined, “[t]hank you again for all your help . . . with transitioning our self-drafted provisional into an actual patent. We’re currently in the process of having two more provisionals drafted. We have some term sheets in hand and finger[s]-crossed we’ll be on our way to an actual company with protectable IP. We couldn’t have done it without you and the IP Clinic!!”

<sup>22</sup> See *infra* Part III for a full discussion of the pedagogical challenges of doing work with the tech transfer office.

<sup>23</sup> See *Who We Are*, PENN CENTER FOR INNOVATION <http://pci.upenn.edu/who-we-are/> [<https://perma.cc/H8QU-KVJC>] (last visited Nov. 14, 2016).

providing needed services to PCI, this work is better-suited to an externship program. When the student is resident for a semester in the PCI legal contracting office, overseen by employees of PCI, many of the impediments that prevent this situation from being optimal disappear.

### 3) Ventures

Penn faculty and staff who have opted to participate in PCI's separate UPstart program within the Ventures department have already decided to form a company to commercialize their innovation, and have formally contracted for PCI's help in exchange for equity ownership. Although often they have not yet licensed the technology from Penn, there is usually a patent pending. When they come to the Detkin IP Clinic, the companies are often at an IP crossroads and want to make these "bet the company" decisions thoughtfully, supported by research that they and PCI often cannot afford to do.

This has provided some of the most interesting and suitable PCI work for Clinic students, who have in turn provided the ventures with invaluable advice. Examples of student projects include the following:

Evaluate patent strength. We can compare the UPstart company's filed patents to other applications and patents in the field to evaluate the strength of the UPstart company's coverage. We can then suggest other elements to add to a pending patent based on "white spaces" in the market and address more recent development of the product. The analysis is useful both to refine patenting strategy and to prove IP value to potential investors.

Rank order patent portfolios. Sometimes a researcher spins off many ideas for related technologies, resulting in many patents. The UPstart company (and PCI) may be unsure which technology might be the most commercially viable. Students can search different fields to determine which path to commercialization is clearest from a patent perspective. They can also use the resources of Wharton's Lippincott Library to analyze product markets. This information can help PCI prioritize patenting strategy and help the UPstart company determine exactly which patents it must license back from PCI in order to compete in the marketplace.

Perform "landscape analyses." Students can identify competitor patents and offer advice about any infringement concerns so that the UPstart company can refine its product development or develop a third-party licensing strategy.

Inform protection strategies. When there is not yet a patent on file for the UPstart technology, students can provide research and support to guide a protection strategy. This is especially helpful when it is not clear if and how the UPstart technology might be patented, as when it is a software product, a business method, or otherwise treads close to one of the exceptions to patentable subject matter. Even if it is patentable technology, the field may be so crowded that a patent would be too narrow to be valuable. The students can recommend a path to the broadest possible patent, or might recommend that the technology

be protected in a different way, for example through copyright or trade secret.

These are extremely satisfying client projects, both for student learning and for value to PCI. They are the best projects to meet the substantive, logistical and pedagogical challenges of doing work for tech transfer, although as discussed more in Part IV below, they also present the most interesting ethical issues. Substantively and logistically, the UPstart projects are good because they are urgent and easier to conceptualize for the students than some other technology transfer projects. UPstart companies concern relatively late stage university technology where the inventors are already implementing a preliminary plan for the technology's use. In addition, there is sometimes a prototype, which makes the business easier to understand. These projects are also good for PCI because the companies value, but could likely not otherwise afford, the legal research the students provide. The students' unbiased and outside perspective provides confirmation and weight to what previously might have only been a hunch as to how to proceed. Pedagogically, the projects are good because the students have to give legal counsel in context, in that there is an actual company at stake. Yet ethically, these projects can be complex because they involve two potential clients and technology that is often still subject to a pending patent application, and present a great opportunity to work with outside nonlegal consultants.

#### *4) Licensing*

Most recently, the Clinic accepted client work from PCI's Licensing department. This department markets the early stage Penn technologies to companies and other organizations interested in commercialization. As with the UPstart work, the technologies handled in Licensing tend towards the more developed end of the spectrum; they are usually already patented, and PCI has a potential licensor in mind. The student work revolves around helping PCI remove impediments gating a technology's potentially valuable licensing potential.

For example, in one project, a student analyzed technology that had been co-developed by inventors at several institutions. A potential licensor did not know which institution to approach as the owner. The challenge was to unravel who had invented which part of the technology to set the stage for a cooperative prosecution and commercialization agreement between the institutions. Had the student not done the analysis, no one could have filed a patent and the institutions would have been stymied in their efforts to work together to exploit the technology. This project ended up being quite valuable to PCI, which is now able to commercialize a valuable technology that had been in stasis.

In another project, students researched the portfolio of several potential licensors for a technology and recommended a strategy to best approach the parties with the Penn portfolio. The students had to evaluate the value of the Penn patent applications within the field, and recommend whether and how to enhance the patent coverage to become a more attractive licensing prospect given the needs of the potential licensors.

Similar to the UPstart work, these projects can be pedagogically valuable, as they offer exposure to the actual inventors and require the students to think through business as well as legal questions. This client work can provide a great opportunity to connect raw legal analysis to an ultimate business goal. Yet, these projects bring up the same ethical challenges as do the Ventures projects. The remaining two parts of this article address these challenges and suggest solutions.

### III. SUBSTANTIVE, PEDAGOGICAL AND LOGISTICAL CHALLENGES TO WORKING WITH A TECHNOLOGY TRANSFER OFFICE, AND RECOMMENDED SOLUTIONS

Although technology transfer work can be a win-win for clinical students and universities, setting up and running a program is not without its challenges. This Part III identifies and discusses some of the substantive, pedagogical, and logistical challenges inherent in establishing a clinic–tech transfer relationship. The challenges are borne out of the necessity of working with very technical subject matter, and intertwining two entities with very different missions, timetables and needs.

Substantively, the subject matter of university technology transfer work can be quite technical. Many of the students do not have enough background to immediately understand the subject matter, and some are even intimidated by it. Many students, even in an IP clinic, have never done any work with patents, and a sizeable number have never even read a patent before. In addition, the UPstart projects are complicated and force the students to consider both legal and business issues. Many of the students have no business coursework or background. There are significant substantive challenges to doing this work.

To ameliorate these issues, I almost always team the students on PCI projects. The students tackle complicated issues with more confidence when they are paired. When, as in some semesters, I have fewer scientifically- or technically-trained students in the class, I pair the students that do have some relevant background with the other, less trained students. The Clinic application also guarantees at least a certain number of scientifically- or technically- trained students in the class, and allows me to enroll more students with some business training or exposure.

I also work closely with my contacts at PCI to choose good projects. It is more enjoyable for the students if the company product is related to something they understand, if the company has a physical prototype available, and if the researchers are eager to work with students. In addition, all the projects are scoped to be completed in one semester, so that two teams of students do not have to climb the same steep learning curve to learn the subject matter for any one project.

Pedagogically, the challenge is to provide the right experiences to reinforce core clinical concepts like client ownership, effective communication, and counseling. Unlike with a startup company, the legal assignments from PCI are often

neatly described and narrowly focused, such that the students do not have to determine what legal work needs to be done. This is simpler for the students, but skips an opportunity for critical thinking that encourages student autonomy. Likewise, if too many of the class assignments involve the same client, the students lose an opportunity to contrast their experience with that of their peers handling a different client. And finally, because many of the PCI projects are linear and concern one question, resulting in one report at the end of the semester, students do not have as many opportunities to practice client communication and *ad hoc* counseling skills as they would when their client work branches off in several directions, covering several subjects and demanding midterm deliverables.

To address these concerns, I offer each student a varied caseload covering different subject matter, different kinds of IP, and different kinds of clients. While PCI by percentage provides our most work from semester to semester, each student typically works only on one PCI project. I also try to vary the PCI work by taking projects from different departments. This variety exposes the students to the exciting work of the TTO, yet forces them to grapple with the challenges of working for other kinds of clients as well. It also injects fresh stories and questions into our case rounds.

Logistically, there are challenges born of working with a large organization, and also predictably from trying to coordinate the schedules of busy people. For the most part, I have been able to surmount these challenges by choosing to work with individuals at PCI who see the exciting possibilities for enhancing innovation as well as student learning. It has also been helpful to designate one “point person” at PCI who is knowledgeable about our abilities and limitations to gather potential projects for us. I set aside time to have meetings and discuss projects well in advance of the semester start with this point person, and I only choose projects that I feel would best meet the needs of both the students and PCI. Of course, semesters of quality work have ensured good deal flow and deeper relationships built on trust. I nurture that trust by attending as many PCI events as I can, speaking at brown bag lunches and outside PCI events, and calling PCI at the middle and end of every semester to ensure that the work is going well.

These substantive, pedagogical, and logistical challenges will vary by institution, and their poignancy will depend on student makeup, clinic mission, and personnel involved. They are important, but somewhat typical, challenges. However, the more surprising and interesting challenges have stemmed from tensions presented by doing work for the technology transfer office within the bounds of the rules of professional ethics. The balance of this article explores such challenges and some potential solutions.

#### IV PROFESSIONAL ETHICS CHALLENGES TO WORKING WITH A TECHNOLOGY

TRANSFER OFFICE, AND RECOMMENDED SOLUTIONS<sup>24</sup>

This final Part IV explores four specific professional ethics challenges that we have had to resolve in order to accomplish our work with the tech transfer office. We have had to consider how to: i) bind students to a duty of confidentiality outside of student practice rules; ii) maintain confidentiality and privilege when bringing non-lawyer consultants in to consult on a case; iii) maintain confidentiality and privilege and avoid conflicts of interest when projects involve two companies; and iv) navigate the mandatory patent disclosure obligation when researching technology covered by a pending patent application.

We had not anticipated having to address these challenges when we started to work with PCI. Each ethical situation was borne of the Clinic's attempts to respond to a PCI request, often resulting in a change in our policies. Because the PCI relationship was so important to the Clinic, we needed to research and address the issues thoughtfully and satisfactorily. Although confronting the ethical issues added a layer of complexity to the administration of the Clinic, it also injected valuable discussions of ethics into the seminar. Most importantly, it modeled to the students that representation must be deliberate, responsible, and dynamic enough to be responsive to client needs.

*A. Binding Clinic Students to Obligations of Confidentiality*

We confronted our first ethical challenge even before starting our first client work for PCI. One of the bedrock ethical obligations of counsel is to avoid revealing confidential client information.<sup>25</sup> As a public policy, this obligation ensures that clients feel comfortable sharing even damaging information with counsel, which allows counsel to provide competent and zealous representation.<sup>26</sup> Clients may release counsel from the obligation only through informed

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<sup>24</sup> For the remainder of this essay I will refer to the ethical quandaries as relevant to "the Clinic students," with the exception of Part IV(D)(i), since the students are technically practicing under the supervisor's license, the ethical quandaries belong to both student and supervisor.

<sup>25</sup> See, e.g., *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981) ("The attorney-client privilege is the oldest of the privileges for confidential communications known to the common law. Its purpose is to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice. The privilege recognizes that sound legal advice or advocacy serves public ends and that such advice or advocacy depends upon the lawyer's being fully informed by the client." (citation omitted)).

<sup>26</sup> *Id.* at 388.

consent to sharing the information. The ethical duty to retain information in confidence is set forth in the Model Rules of Professional Conduct,<sup>27</sup> Rule 1.6.<sup>28</sup> However, only attorneys are subject to the rules of professional conduct. Penn's Office of General Counsel (OGC) was worried that the students would not be technically obligated nor incentivized to follow the professional code.

The Detkin IP Clinic is one of nine clinics within Penn Law's Gittis Center.<sup>29</sup> The Gittis Center's position on the issue is consistent across clinics—that there are sufficient safeguards in place to protect client confidentiality and privilege when information is shared with our students. First, since our students are working for the “Gittis Center law firm,” we maintain that they are bound to obligations of confidentiality as would be any personnel at a non-academic law firm. In addition, students in litigation clinics are also officially recognized under student practice rules in the Commonwealth of Pennsylvania, which specifically permit students that meet certain qualifications to practice law as a Certified Legal Intern under the supervision of licensed attorneys.<sup>30</sup> Finally, under MRPC Rule 5.3,<sup>31</sup> the licensed attorneys supervising the student work are obligated to

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<sup>27</sup> This article will refer throughout to the Model Rules of Professional Conduct (MRPC) in order to keep the discussion applicable to clinics in different states. Attorneys practicing in Pennsylvania are technically bound by Pennsylvania's Rules of Professional Conduct (Rules); however, the state of Pennsylvania has adopted much of the language of the MRPC into its Rules verbatim. The differences between the two sets of rules do not affect the discussion in this article, and for other states that have adopted the MRPC, the analysis should be the same. Attorneys that practice before the United States Patent and Trademark Office are also subject to an additional set of rules, called the USPTO Rules of Professional Conduct, discussed and cited in more detail in Section (IV)(D). See *infra* note 88 and accompanying text.

<sup>28</sup> MODEL RULES OF PROF'L CONDUCT r. 1.6 (AM. BAR ASS'N 2016) (Confidentiality of Information states in relevant part that “(a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, . . . (c) A lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.”).

<sup>29</sup> See *Clinics & Externships*, UNIV. OF PENNSYLVANIA LAW SCHOOL, <https://www.law.upenn.edu/clinic/> (last visited Nov. 15, 2016).

<sup>30</sup> PA. BAR ADMISSION RULES r. 321-22 (PA. BD. OF LAW EXAMINERS 2015) (Requirements for formal participation in legal matters by law students and law school graduates and authorized activities of certified legal interns).

<sup>31</sup> MODEL RULES OF PROF'L CONDUCT r. 5.3 (AM. BAR ASS'N 2016) (Responsibilities Regarding Nonlawyer Assistance states in relevant part: “With respect to a nonlawyer employed or retained by or associated with a lawyer: . . . (b) a lawyer having direct supervisory authority over the nonlawyer shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the lawyer; and (c) a lawyer shall be responsible for conduct of such a person that would be a violation of the Rules of Professional Conduct if engaged in by a lawyer if: . . . (2) the lawyer is a partner or has comparable managerial authority in the law firm in which the person is employed, or has direct supervisory authority

ensure that the students comport with the obligations of all of the Model Rules, including MRPC Rule 1.6, or the licensed attorneys will be held responsible.<sup>32</sup>

However, Penn's OGC rightly concluded that: i) unlike when a law firm employs a paralegal, a law student intern, or other person not admitted to the Pennsylvania Bar, our students operate outside of an employment contract that would otherwise bind them to uphold obligations to a client, including maintaining client confidentiality; ii) it is not clear if the student practice rules in the Commonwealth of Pennsylvania bind students to the ethical obligations that bind licensed practitioners, and in any event, because the Detkin IP Clinic is a transactional—not a litigation—clinic, the student practice rules may not apply to its students at all; and iii) although the Clinic's supervising attorneys are bound to ensure that the students uphold their confidentiality obligations, if there were to be a breach, PCI would have no direct recourse against the student.<sup>33</sup>

A client that is as sophisticated as a university TTO may ask to explore nuances of the law in a way that less sophisticated (and legally represented) clients may not. After many discussions about this issue, we decided to implement changes to our policies. Partly to raise student awareness and ensure compliance with the confidentiality obligation for not only PCI, but for all clients, partly because of the very sensitive nature of the information involved in PCI work, and partly due to the fact that PCI is correct that there is no actual contract binding transactional clinical students in the Commonwealth of Pennsylvania, every semester the Clinic students sign a confidential disclosure agreement (CDA)

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over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.” Rule 5.3 specifically applies to law students working for the firm); *id.* at cmt. 2 (“Nonlawyers Within the Firm: Lawyers generally employ assistants in their practice, including secretaries, investigators, *law student interns*, and paraprofessionals. Such assistants, whether employees or independent contractors, act for the lawyer in rendition of the lawyer’s professional services. A lawyer must give such assistants appropriate instruction and supervision concerning the ethical aspects of their employment, particularly regarding the obligation not to disclose information relating to representation of the client, and should be responsible for their work product. The measures employed in supervising nonlawyers should take account of the fact that they do not have legal training and are not subject to professional discipline.” (emphasis added)).

<sup>32</sup> In addition to compliance and confidentiality obligations, it is important that law student counselors are included under Rule 5.3 to ensure that the confidential information revealed to them under attorney-client privilege remains under attorney-client privilege. If the students constitute outside third parties, privilege could be inadvertently waived. For a related discussion of including nonlawyers outside the firm under the protection of the attorney-client privilege, *see infra* Part IV(B).

<sup>33</sup> Some of these arguments are unique to the Commonwealth of Pennsylvania, in that our student practice rule does not specifically include transactional clinical students, who are not certified. However, depending on the rules in other states, these arguments may apply to other clinics as well.

directly with the Trustees of the University of Pennsylvania. The CDA personally binds the students to ensure confidentiality, and lays out damages if they reveal confidential information. I explain to the students that they will have to sign such an agreement before they may take the Detkin IP Clinic. So far no one has refused to sign, and there have been no known incidents of unauthorized disclosure.

*B. Maintaining Confidentiality and Attorney–Client Privilege When Working with Nonlawyer Consultants*

However, the ethical issues involving confidentiality do not cease to exist after the Clinic students sign the CDA. Sometimes the Clinic specifically needs to share confidential client information with outside parties for the sake of the client. This impacts both the duty of confidentiality and potentially the attorney–client privilege.

PCI benefits on occasion if the Detkin IP Clinic students share PCI confidential information with non-legal advisors. For example, PCI engages students from the Wharton School (Penn’s business school) to help its UPstart companies. The Wharton students may analyze markets for the UPstart companies’ potential products or help refine business plans and pricing strategies. The business information can materially affect the patent research done by the Detkin IP Clinic students and vice versa. If the Wharton students uncover a compelling reason to enter a certain market, the Clinic students might recommend a certain protection strategy. If the Clinic students find a strong patent that could preclude operating as the product is currently designed, the business counsel might include seeking a license or even performing a redesign. PCI would ideally like both sets of students to share information, and for the convenience of the inventors, potentially also meet with the inventors at the same time. Shared information and joint meetings are also valuable to the students, as the cross disciplinary experience not only enriches the students’ final work product for PCI, but allows them to experience the analysis and approach of students trained in another field.<sup>34</sup>

However, this scenario requires the Detkin IP Clinic students to reveal PCI confidential information to a third party, which would technically be in breach of their MRPC Rule 1.6 obligations.<sup>35</sup> Even if PCI specifically directed the Clinic students to share information with the Wharton students, thus relieving the students of their confidentiality obligation through informed consent, PCI would still run the risk of waiving attorney–client privilege as to the information.<sup>36</sup> Some of that information—particularly opinions regarding patent

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<sup>34</sup> Interdisciplinary communication and experiences are a central theme of the Detkin IP Clinic. See Dahl, *supra* note 2.

<sup>35</sup> MODEL RULES OF PROF’L CONDUCT r. 1.6 (AM. BAR ASS’N 2016).

<sup>36</sup> Confidential information shared from client to attorney, and generally information

strength or possible infringement—might be harmful to the client if used as evidence in court. While presenting a pedagogical and counseling advantage, disclosure might be problematic.

Commentators recognize that modern corporate counsel must increasingly incorporate information from consultant experts in nonlegal fields when giving legal advice on complex issues.<sup>37</sup> In order to gather information from these consultant experts, counsel must sometimes reveal and receive confidential information. Counsel may not be as likely to seek the information if they cannot trust it to be protected under the attorney–client privilege.<sup>38</sup> On the one hand, as a matter of public policy we want to encourage counsel to seek helpful advice from consultants. But on the other hand, we need to prevent counsel from sheltering otherwise admissible information.<sup>39</sup> As a result, even in cases where the courts uphold the attorney–client privilege over information shared between counsel and non-lawyers outside the firm, the privilege is narrowly drawn.<sup>40</sup>

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shared from attorney to client that constitutes legal advice, may be excluded as evidence at a trial so long as it is not disclosed. Once it is disclosed by either counsel or client, the information loses its attorney-client evidentiary privilege. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 (AM. LAW INST. 1998). Confidential information may also be protected by the work-product privilege, but because in our transactional practice we do not consult the Wharton students in preparation for litigation, this essay does not consider the applicability of that privilege.

<sup>37</sup> Michele D. Beardslee, *The Corporate Attorney-Client Privilege: Third-Rate Doctrine for Third-Party Consultants*, 62 SMU L. REV. 727, 730 (2009). *See generally* Michele DeStefano, *Nonlawyers Influencing Lawyers: Too Many Cooks in the Kitchen or Stone Soup?*, 80 FORDHAM L. REV. 2791 (2012).

<sup>38</sup> Beardslee, *supra* note 37, at 763-64; *cf.* Edward J. Imwinkelried & Andrew Amoroso, *The Application of the Attorney-Client Privilege to Interactions Among Clients, Attorneys, and Experts in the Age of Consultants: the Need for a More Precise, Fundamental Analysis*, 48 HOUS. L. REV. 265, 311 (2011) (stating that assuming that offering a privilege is necessary for attorneys to seek advice from consultants is overstated). *See generally* Melanie B. Leslie, *The Costs of Confidentiality and the Purpose of Privilege*, 2000 WIS. L. REV. 31 (2000) (setting forth the general proposition that we tolerate limiting admissible evidence by virtue of applying the attorney-client privilege in order to encourage clients to be truthful with their attorneys).

<sup>39</sup> Beardslee, *supra* note 37, at 733 (citing as an example of abuse of the attorney-client privilege public health cases against tobacco companies where counsel specifically oversaw external studies on the addictiveness of tobacco in order to attempt to shield the results).

<sup>40</sup> *Id.* at 733-34 (“This is precisely why the attorney–client privilege, perhaps the most robust of privileges, is generally strictly construed.” (citing *Fisher v. United States*, 425 U.S. 391, 403 (1976))). *See generally* Imwinkelried, *supra* note 38 (dividing the attorney-client privilege analysis into three types of communication, and claiming that while the privilege would apply as to information shared from attorney to client and most likely as to information shared from attorney to consultant, it should not apply to communications between consultants and attorneys because such communications are not attorney-client).

MRPC Rule 5.3 does allow counsel to reveal information for certain “Nonlawyer Assistance,” while allowing the attorney–client privilege to remain intact.<sup>41</sup> Courts often allow this exception in the context of persons that provide administrative or support services.<sup>42</sup> MRPC Rule 5.3 itself also supports this interpretation; the language of the comments explicitly allows lawyers to share information with non-lawyers *inside* the firm that are “assistants” of various sorts,<sup>43</sup> and non-lawyers *outside* the firm that provide administrative and support services.<sup>44</sup> Although the language of MRPC Rule 5.3 does not specifically exclude subject matter experts, a significant number of courts have refused to extend the privilege that far.<sup>45</sup> This exclusion of subject matter experts is in fact what we would ask. In our scenario, the Detkin IP Clinic students would like to share information with consultants operating as business subject matter experts—not administrative experts. They are not “assistants” to the Clinic students. How can the Clinic students best ensure that they can simultaneously uphold their duty of confidentiality and also maintain attorney–client privilege over the information they share with and receive from the Wharton consultants?

When courts make an exception to a waiver of the attorney–client privilege

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<sup>41</sup> See MODEL RULES OF PROF’L CONDUCT r. 5.3 (AM. BAR ASS’N 2016).

<sup>42</sup> Beardslee, *supra* note 37, at 745 (“It is generally safe to assume that the presence of non-professional agents, ‘immediate subordinates,’ or ‘ministerial agents’ under the supervision of the attorney and necessary for an attorney to conduct business such as law clerks, paralegals, and secretaries, will not abrogate the privilege” (citations omitted)); Imwinkelried, *supra* 38, at 269 (“As an accommodation to the way that attorneys conduct their business, the courts have decided to permit the client and attorney to transmit communications through the attorney’s agents, such as a secretary or clerk” (citations omitted)); see *infra* note 92 (citing cases where courts have allowed the privilege to extend to administrative and some non-administrative experts).

<sup>43</sup> See MODEL RULES OF PROF’L CONDUCT r. 5.3 cmt. 2 (AM. BAR ASS’N 2016).

<sup>44</sup> See *id.* at r. 5.3 cmt. 3 (regarding Nonlawyers Outside the Firm: “[a] lawyer may use nonlawyers outside the firm to assist the lawyer in rendering legal services to the client. Examples include the retention of an investigative or paraprofessional service, hiring a document management company to create and maintain a database for complex litigation, sending client documents to a third party for printing or scanning, and using an Internet-based service to store client information. When using such services outside the firm, a lawyer must make reasonable efforts to ensure that the services are provided in a manner that is compatible with the lawyer’s professional obligations.”). Courts have almost universally allowed administrative consultants to be covered under MRPC Rule 5.3. See Beardslee, *supra* note 37, at 745; Imwinkelried, *supra* 38, at 269.

<sup>45</sup> See, e.g., *United States v. Ackert*, 169 F.3d 136, 139-40 (2d Cir. 1999) (not applying the exception to advice given by an investment banker over tax liability from selling a corporate subsidiary); *FTC v. TRW, Inc.*, 628 F.2d 207, 209-12 (D.C. Cir. 1980) (research institute consultant); *In re G-I Holdings Inc.*, 218 F.R.D. 428, 434 (D.N.J. 2003) (accountant); Beardslee, *supra* note 37, at 745 (“[N]o assumptions are safe when the third party is a professional consultant.”).

for third party consultants, they use two theories: an agency theory or a theory of functional equivalents.<sup>46</sup> Under the agency theory, courts reason that the privilege should extend because the consultant is under the control and supervision of either the counsel or the client, and the consultant's aid is necessary for the attorney to deliver his counsel to the client.<sup>47</sup> Under the functional equivalents theory, courts reason that the privilege should extend because the consultant is acting as a substitute for the client by providing information that a client employee or affiliate could otherwise have provided.<sup>48</sup> Many courts and commentators require a "nexus" between the consultant's information and the legal advice provided as a further prerequisite to privilege.<sup>49</sup> Several courts provide factors to be weighed to determine whether a nexus exists.<sup>50</sup>

With courts extending attorney-client privilege in some, but not all cases where counsel shares information with third party subject matter consultants, we are careful to create the best set of facts possible. We attempt to maximize our chances of preserving privilege in case we are ever challenged over information the Detkin IP Clinic students share with the Wharton consultants. Specifically, the Clinic: i) bolsters the argument that the consultants should be treated as agents of the firm and ii) ensures there is a nexus between the information the Wharton consultants provide and the legal advice the Clinic gives the clients, addressing as many of the court factors as possible to support the nexus argument.

First, to support the agency argument, in the Detkin IP Clinic engagement letter we specifically bring the Wharton consultants into the Clinic "firm" by

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<sup>46</sup> Beardslee, *supra* note 37, at 744.

<sup>47</sup> *Id.* at 744-45. This line of cases began with *United States v. Kovel*, 296 F.2d 918 (2d Cir. 1961) (finding privilege extends to an accountant who reviewed a client's financial records and acted as an interpreter to provide advice to a firm to help defend a client against federal tax violations claims).

<sup>48</sup> *See, e.g.*, *In re Beiter*, 16 F.3d 929, 937-39 (8th Cir. 1994); Beardslee, *supra* note 37, at 748; *see also* Kim J. Gruetzmacher, Commentary, *Privileged Communications with Accountants: The Demise of United States v. Kovel*, 86 MARQ. L. REV. 977, 987-88 (2003) (describing the functional equivalent theory for upholding attorney-client privilege).

<sup>49</sup> Beardslee, *supra* note 37, at 785-86; *id.* at 785 n. 298 (citing a list of federal court cases and commentators and scholars describing the need for a nexus between the consultant's information and the legal counsel provided).

<sup>50</sup> *See* Beardslee, *supra* note 37, at 788-94 (describing four factors that courts have used to find a nexus between the consultant's information and the legal counsel provided, including: i) the lawyer's limited skill in the consultant's area of expertise; ii) defined limitations around the methods and degree of dissemination of the consultant's information; iii) contemporaneous proof of the parties' intention that the consultant provide confidential information to support legal counsel; iv) substance of the consultant's information and the relation to the client's current issues. The article also describes several factors that courts have used, with which the commentator disagrees.).

receiving the client’s approval to include consultants as part of our legal team to help on the case.<sup>51</sup> To address one of the nexus factors, we also explain in the engagement letter that by sharing confidential information with the consultants, it is not our collective intention to waive the attorney–client privilege.<sup>52</sup> The Clinic also asks the Wharton consultants to sign a separate consulting agreement directly with the Clinic<sup>53</sup> that explicitly: i) establishes them as our agents for the limited purpose of granting information and advice to us related to our legal work for a particular client (agency theory); ii) binds them to an obligation to maintain client information in confidence (one of the nexus factors); iii) limits how the information they create will be disseminated (one of the nexus factors); and iv) specifically enlists them to provide necessary information to assist with rendering legal services (the nexus).<sup>54</sup>

The language of the engagement letter and the consulting agreement is designed to address both professional ethics and evidentiary concerns. First, since the consulting agreement binds the Wharton students to a duty of confidentiality, it helps the Detkin IP Clinic students comply with their obligation under MRPC Rules 1.6 and 5.3 to make “reasonable efforts to ensure that the [consultant’s] conduct is compatible with the professional obligations of the lawyer.”<sup>55</sup> Second, both agreements describe the consultants’ role, deliverables, and obligations in a way designed to help safeguard the attorney–client privilege. The consultants are specifically characterized as “agents” of the counsel and are enlisted to “assist with rendering legal services”—language reflecting the agency theory applied by some courts extending the privilege and the specific language of MRPC Rule 5.3 comment [3].<sup>56</sup> Also, the consultants’ work is described as “necessary” to assist with “rendering legal services,” which language, together with careful limitations about how the advice can be disseminated, and the fact that we are entering into a contract defining a relationship, all address factors

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<sup>51</sup> See, e.g., *infra* Form 1.

<sup>52</sup> *Id.*

<sup>53</sup> See, e.g., *infra* Form 2.

<sup>54</sup> PCI already requires the Wharton students to enter a CDA with PCI. The separate consulting agreement between the Wharton students and the Detkin IP Clinic, however, is necessary in order to safeguard attorney-client privilege. Besides the fact that the Wharton-PCI CDA might not cover information that the *Clinic* shares with Wharton as opposed to the information that PCI shares, the consulting agreement also makes it clear that the Wharton students are subject to obligations of confidentiality in the context of working with the Clinic to supplement our legal advice. This is a nexus factor to maintain the attorney-client privilege.

<sup>55</sup> MODEL RULES OF PROF’L CONDUCT r. 5.3 (AM. BAR ASS’N 2016). See also *id.* at r. 1.6 cmt. 18 (“Paragraph (c) requires a lawyer to act competently to safeguard information relating to the representation of a client against unauthorized access by third parties and against inadvertent or unauthorized disclosure by the lawyer or other persons who are participating in the representation of the client or who are subject to the lawyer’s supervision.”).

<sup>56</sup> See *id.* r. 5.3 cmt.2.

that can weigh in favor of establishing a nexus between the consultants' contributions and the resulting legal counsel.

However, merely including certain language in our contracts does not necessarily make the characterizations a reality. In order to best safeguard the attorney–client privilege, the Clinic students must first also take the right actions, mainly targeting the use of shared information as much as possible toward administering legal advice. The scope of the consulting is narrow and defined. Second, the Clinic students only reveal as much legal confidential information as is necessary for the Wharton students to provide business context for the resulting advice. Finally, the Clinic students must bear in mind that purely business advice—regardless of source—will likely not be subject to the attorney–client privilege (even if it is still subject to confidentiality obligations).

Although it could be somewhat awkward for the Detkin IP Clinic students to instruct the Wharton students on the subject of ethical duties and refer to them in writing as “agents,” the Clinic students explain to the business students why the construct is necessary and it ends up being an interesting lesson for both teams.<sup>57</sup> The law and business students discuss duties of confidentiality and evidentiary privilege and how those concepts impact the delivery of legal work. Both sets of students emerge more knowledgeable and confident in how to apply the rules.

### *C. Maintaining Confidentiality and Privilege and Managing Conflicts of Interest with Projects Involving Two Companies*

#### 1) Sharing Information with the UPstart Company

Besides sharing information with Wharton students, Detkin IP Clinic students on UPstart projects often feel pressure to share confidential information about the project with the UPstart inventors and the UPstart company. But even if the confidential information directly concerns the UPstart company, if PCI is the Clinic client, sharing the information with the UPstart company is technically a breach of client confidentiality and could waive attorney–client privilege.

The manner in which the students work on the PCI project contributes to this pressure. Although PCI employees assign the project, they often instruct the students to meet with the inventor or other members of the UPstart company team with or without a PCI representative present. Students follow up directly with the inventor and the UPstart company. Over the course of the semester, the students often establish a deep relationship with the inventors, even coming to

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<sup>57</sup> Business consultants are not bound by a specific professional code of ethics, so it is a new and somewhat interesting experience for them to experience their legal colleagues' efforts—and even struggles—to comply with the Model Rules. For the law students, they learn from having to explain the existence of the Model Rules to their business colleagues, and to interpret them given a set of facts.

know them better than they know their contacts at PCI. As a result, the students can forget to whom they owe their duty of confidentiality, leading potentially to ethical indiscretions as well as conflicts of interest.

For example, research results are technically PCI confidential information because the project is being done for PCI. During the meetings the inventors may—innocently or not—ask Clinic students to relay their research results. The UPstart company may also ask for information that PCI may not want to discuss with the inventors, even though it is relevant to the UPstart company’s success, for example PCI’s decisions around patent prosecution for the invention technology. In addition, the UPstart inventors expect to see drafts of the students’ work, as well as the finished report. And sometimes the inventors express very different opinions about project priorities than the opinions of PCI. Each of these situations places the Clinic students in the awkward position of having to demur, which is especially difficult when they meet most often with the inventor.

We have always navigated the ethical boundaries these situations present by explaining to the inventors upfront and throughout the semester that we are not their counsel and, when they ask for information, inform them that the information can come to them through PCI, but not through us. Although awkward, we practice in class through simulation how to convey this message in a way that we hope will not alienate the inventors. However, this has never been a perfect solution, as even when delivered with empathy and an explanation, the inventors are seldom satisfied by the answer. More importantly, although relying on PCI to share the end report with the UPstart companies allows the students to uphold their duty of confidentiality, PCI’s report sharing with the UPstart company is still disclosure that likely waives attorney–client privilege.

We wanted to find a way for the UPstart company to view PCI’s report without PCI waiving attorney–client privilege or forcing the Detkin IP Clinic students to breach the duty of confidentiality. We first considered the “community interest” or “common interest” privilege,<sup>58</sup> which some states, including the Commonwealth of Pennsylvania, have adopted into their case law,<sup>59</sup> and many

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<sup>58</sup> The privilege goes by many different names. See Matthew D. LaBrie, *The Common Interest Privilege*, TRIAL EVIDENCE (Am. Bar. Ass’n, Litigation Section), Sept. 30, 2014, at 2. (“Though it goes by many names—‘pooled information privilege,’ ‘joint defense privilege,’ ‘community of interest privilege,’ ‘allied litigant privilege,’ and so on—the common interest privilege, regardless of the name, has a simple function: it extends the attorney client privilege—and in some jurisdictions, attorney work product protection—beyond an attorney and his or her client to a third party.”).

<sup>59</sup> See *Karoly v. Mancuso*, 65 A.3d 301, 315 (Pa. 2013) (“[U]nder the prevailing law of this Commonwealth, the joint-client or common-interest privilege could potentially apply”); *King Drug Co. of Florence, Inc. v. Cephalon Inc. et al.*, 2:06-cv-1797, 4 (E.D. Pa., July 5, 2011) (Mem.); *Young v. Presbyterian Homes, Inc.*, No. 2000-C-990, 2001 WL 35948690, at \*7 (Pa.Com.Pl. Jan. 16, 2001).

courts have applied.<sup>60</sup> The common interest doctrine allows two separately represented parties to share confidential information between themselves without waiving attorney–client privilege. The doctrine applies to the extent the parties share a common interest and their attorneys are better able to provide counsel because the information has been shared.<sup>61</sup> This evidentiary doctrine is rooted in joint defense arrangements,<sup>62</sup> but has been broadened specifically to apply to transactional situations as well.<sup>63</sup>

However, it is far from certain that the privilege would protect all disclosure situations akin to sharing PCI information with the UPstart company. First, jurisdictions vary widely in their interpretation of when, how, and even if the community interest privilege applies.<sup>64</sup> Second, even in the Third Circuit (encompassing Philadelphia) where the doctrine is acknowledged, there is very little case law to guide its interpretation, and the most extensive discussion of the doctrine is in *In re Teleglobe*,<sup>65</sup> a Third Circuit case that relies on Delaware, not Pennsylvania, law.<sup>66</sup> Finally, the requirements for the common interest privilege

<sup>60</sup> See Robert A. Matthews, Jr., *Annotated Patent Digest* § 42:35 (Sept. 2016) (listing cases from a variety of districts and circuits).

<sup>61</sup> See e.g., *United States v. Under Seal*, 902 F.2d 244, 249 (4th Cir. 1990) (“Whether an action is ongoing or contemplated, whether the jointly interested persons are defendants or plaintiffs, and whether the litigation or potential litigation is civil or criminal, the rationale for the joint defense rule remains unchanged: persons who share a common interest in litigation should be able to communicate with their respective attorneys and with each other to more effectively prosecute or defend their claims.”).

<sup>62</sup> *In re Teleglobe Commc’ns. Corp.*, 493 F.3d 345, 364 (3d Cir. 2007).

<sup>63</sup> *Id.* (“Thus, the community-of-interest privilege allows attorneys representing different clients with similar legal interests to share information without having to disclose it to others. It applies in civil and criminal litigation, and even in purely transactional contexts.” (citing PAUL R. RICE, *ATTORNEY-CLIENT PRIVILEGE IN THE UNITED STATES* § 4:35 (2d ed. 1999); *RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS* § 76 (AM. LAW INST. 1998))).

<sup>64</sup> LaBrie, *supra* note 58, at 5.

<sup>65</sup> See *Teleglobe*, 493 F.3d 345 *passim* (2007).

<sup>66</sup> LaBrie, *supra* note 58, at 12. (“[In PA], judicial opinions are few, rely on precedents from other jurisdictions, and do not clearly acknowledge that the privilege exists.” (citing *Karoly v. Mancuso*, 65 A.3d 301, 315 (Pa. 2013))). The *Teleglobe* case, although providing good guidance, applies the Delaware Rules of Evidence, which specifically address the community interest privilege, unlike the Pennsylvania Rules of Evidence. *Teleglobe*, 493 F.3d at 364. The *King* case from the EDPA, which nonetheless cites *Teleglobe* approvingly, categorizes the precedential value as follows: “The Court’s pronouncements in *Teleglobe* on the community-of-interest privilege were not dispositive to the outcome of the case. Moreover, some, but not all, of the Court’s reasoning seemed to be premised on Delaware Rules of Evidence, 1 Paul R. Rice, *Attorney-Client Privilege in the United States* § 4:35 (2d ed. 2009); and/or the Restatement (Third) of the Law Governing Lawyers § 76 (AM. LAW INST. 1998). Nonetheless, the Court’s examination of the community-of-interest privilege is instructive to my analysis.” *King Drug Co. of Florence, Inc. v. Cephalon Inc. et al.*, 2:06-cv-1797, 4 n.3

to apply as described in *In Re Teleglobe* are not present in our case. According to *In re Teleglobe*, for the community interest privilege to apply, the parties sharing information must be represented by separate counsel,<sup>67</sup> must share a substantially similar legal interest in the information,<sup>68</sup> and counsel for each party must share the information.<sup>69</sup> In our situation, the parties are not each represented by different counsel, and because the parties themselves each wish to access the information, the doctrine does not seem to apply to our situation, at least as the doctrine has been interpreted in the Third Circuit.

However, the parties might also share information under another arrangement, namely when the two parties are joint clients (or co-clients) of the same counsel. When co-clients share information, the information remains privileged; the construct acts as an exception to a waiver of the attorney–client privilege.<sup>70</sup>

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(E.D. Pa., July 5, 2011) (Mem.).

<sup>67</sup> *Teleglobe*, 493 F.3d at 365 (“[T]he privilege only applies when clients are represented by separate counsel.”).

<sup>68</sup> *King*, at 5 (“[T]he Third Circuit has found that ‘it is sufficient to recognize that members of the community of interest must share at least a substantially similar legal interest.’” (citing *Teleglobe* 493 F.3d at 365)); see also Michael Pavento et al., *Applicability of the Common Interest Doctrine for Preservation of Attorney-Client Privileged Materials Disclosed During Intellectual Property Due Diligence Investigations*, in INTELLECTUAL PROPERTY DESK REFERENCE 353, 356 (6<sup>th</sup> ed.), available at <https://clients.kilpatricktownsend.com/IPDeskReference/Documents/IPDeskRef.pdf> [<https://perma.cc/XQ9Z-7XHF>] (“Courts in the Third Circuit have generally held that the parties to a disclosure need only demonstrate that the shared interest is similar, not identical, in order for the common interest doctrine to apply. However, there is another line of cases in the Third Circuit in which courts have apparently looked to precedents in other circuits in holding that the nature of the common interest must be identical. It is unlikely that this uncertainty will be eliminated without appellate intervention.”). *But see* *Katz v. AT&T Corp.*, 191 F.R.D 433, 437-38 (E.D. Pa. 2000) (because the parties did not yet have a license agreement in place at the time the privileged information was shared, they failed to show they had an identical legal interest, so the privilege was waived). In addition, to maintain the privilege, the shared interest must contain at least some legal concerns. *King*, at 6 (“Courts examining this issue have indeed found that the shared interest must be ‘legal.’”). See also *id.* at n.4 (“I note that the privilege may apply even where communications included discussion of various business considerations, as long as the communication was ‘infused with legal concerns.’” (quoting *Transp. Auth. v. Caremarkpcs Health, L.P.*, 254 F.R.D. 253, 258 (E.D. Pa. 2008))).

<sup>69</sup> *Teleglobe*, 493 F.3d at 364-65 (“The requirement that the clients’ separate attorneys share information (and not the clients themselves) derives from the community-of-interest privilege’s roots in the old joint-defense privilege, which (to repeat) was developed to allow attorneys to coordinate their clients’ criminal defense strategies. The attorney-sharing requirement helps prevent abuse by ensuring that the common-interest privilege only supplants the disclosure rule when attorneys, not clients, decide to share information in order to coordinate legal strategies.”).

<sup>70</sup> RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §75 (AM. LAW INST. 1998)

A joint client or co-client arrangement must be intentionally created by the parties<sup>71</sup> but applies equally when the parties already have a corporate relationship and when they do not.<sup>72</sup> This is a better solution for our situation.

In a joint client relationship, one counsel can share information equally across both clients without fear of waiving the attorney–client privilege.<sup>73</sup> This solution is very helpful for our scenario. With both PCI and the UPstart company in a joint client relationship, the Clinic can share the research and reports it creates with each client without forcing a client to choose between not sharing the information with the other client, or risking waiving privilege. The Clinic students may add information to the report knowing its privilege is more secure, even if the information could potentially be damaging to the parties if it were to be revealed in court. In addition, with both parties able to view and comment on the report, the Clinic students get helpful feedback from each party, which can ensure a higher quality product.

Of course, in establishing a joint client relationship, the Detkin IP Clinic also must avoid creating a conflict of interest in violation of Rule 1.7 of the Model Rules. Attorneys may not represent two clients when “there is a significant risk

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(Regarding the privilege of co-clients: “(1) If two or more persons are jointly represented by the same lawyer in a matter, a communication of either co-client that otherwise qualifies as privileged under §§ 68-72 and relates to matters of common interest is privileged as against third persons, and any co-client may invoke the privilege, unless it has been waived by the client who made the communication.”).

<sup>71</sup> *Teleglobe*, 493 F.3d at 362 (“[C]lients of the same lawyer who share a common interest are not necessarily co-clients. Whether individuals have jointly consulted a lawyer or have merely entered concurrent but separate representations is determined by the understanding of the parties and the lawyer in light of the circumstances. Co-client representations must also be distinguished from situations in which a lawyer represents a single client, but another person with allied interests cooperates with the client and the client’s lawyer.” (citing the RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §75 cmt. c)).

<sup>72</sup> *See, e.g., Teleglobe*, 493 F.3d at 353 (finding privilege where the joint clients were parent and subsidiary); *Kirsch v. Brightstar Corp.*, 68 F.Supp. 3d 846, 855 (N.D.Ill. 2014) (finding where one client entity was partially owned by another client entity, but the court specifically refuted plaintiff’s argument claiming that for privilege to apply, the joint clients must include a subsidiary that is wholly owned by a parent, stating “[t]he co-client doctrine simply requires an attorney to represent different clients involved in the same litigation, which is the case here.”); *Magnetar Technologies Corp. v. Six Flags Theme Park Inc.*, 886 F.Supp. 2d 466, 472 (D. Del. 2012) (finding privilege where joint clients had a licensor/licensee relationship); *The Jordan Inv. Co., Ltd. v. Hunter Green Inv. Ltd.*, No. 00 Civ. 9214(RWS), 2006 WL 2773022, at \*1 (S.D.N.Y. Sept. 27, 2006) (finding privilege where clients were separate legal entities, including a fund, an investment manager and an administrator).

<sup>73</sup> RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §75 cmt. c.

that the representation of one . . . client[ ] will be materially limited by . . . responsibilities to another client . . .”<sup>74</sup> There are indeed scenarios where the interests of PCI could conflict with the interests of the UPstart company, even though both PCI and the UPstart companies are technically “Penn,” in that the inventor is a University of Pennsylvania employee and PCI is the university-owned tech transfer office. As an example, the UPstart company may in fact also employ non Penn-affiliated people. And more importantly, although PCI has an ownership interest in the UPstart company and wants it to succeed, as the owner of the underlying technology supporting the invention, sometimes PCI might disagree with the UPstart company as to whether and how to pursue patent protection.

However, even when two clients are not perfectly aligned on all issues, representing both clients does not necessarily lead to a conflict of interest. First, the representation can be limited to matters of common interest only. The Clinic never handles work where its representation would be directly adverse to the other client, for example representing either party in a licensing negotiation over the PCI-owned IP. Scoping the representation is not an unusual strategy in the co-client scenario.<sup>75</sup> Second, counsel can also monitor the representation and

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<sup>74</sup> MODEL RULES OF PROF'L CONDUCT r. 1.7 (AM. BAR ASS'N 2016) states:

“(a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

- (1) the representation of one client will be directly adverse to another client; or
- (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if:

- (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
- (2) the representation is not prohibited by law;
- (3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and
- (4) each affected client gives informed consent, confirmed in writing.”

<sup>75</sup> See *Teleglobe*, 493 F.3d at 362-63 (“While it is permissible for lawyers and clients to limit the scope of representation in a single-client representation, it is particularly common in co-client situations because of the limited congruence of the clients' interests. As the Restatement notes, a co-client relationship is limited by ‘the extent of the legal matter of common interest.’ While written agreements limiting the scope of a joint representation might be preferable, nothing requires this so long as the parties understand the limitations.” (citing RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 19)).

withdraw from certain subject matters should interests start to diverge.<sup>76</sup> For example, although we have not yet done this work for UPstart companies, the Clinic might cease prosecuting a patent if the UPstart company and PCI developed conflicting strategies about the scope of its coverage. In the Ventures work that we usually do for UPstart companies,<sup>77</sup> the interests of PCI and the UPstart company are aligned around the representation, the subject of which is usually research related to the company's best commercialization strategy given its IP status. Since the interests of the clients remain aligned throughout the period of representation, representation of neither client is "materially limited by [the Clinic's] responsibilities to another client." Defining the project clearly and limiting representation only to that project avoids the risk of developing a conflict of interest.

Yet, if even despite best efforts to scope the project and to monitor representation when interests diverge, a concurrent conflict of interest should arise, counsel may still continue to represent both clients under Rule 1.7 with certain caveats. According to Rule 1.7, counsel must reasonably believe despite the concurrent conflict of interest that she can "provide competent and diligent representation to each affected client," the representation must not be "prohibited by law," the representation must not involve the two clients being adverse in a litigation or before a tribunal, and the clients must give informed consent.<sup>78</sup> Put another way, the rules of professional conduct allow a lawyer to counsel multiple clients over the same matter so long as all clients consent, and there is no substantial risk of the lawyer being unable to fulfill her duties to all of them.<sup>79</sup>

Even though the Clinic carefully defines the scope of representation to avoid possible conflicts of interest, the Clinic must be ready for the situation where clients' interests might start to diverge. We have established a procedure where the Clinic engagement letter binds both parties to the engagement specifically as joint clients, indicates that there may be a limited number of potentially adverse situations, and asks specifically for each client to give informed consent to the arrangement, clearly stating that at some point their interests may diverge. We then set out the scope of the representation, which is designed to only include

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<sup>76</sup> See *id.*, 493 F.3d at 373 (describing the situation where counsel represents a parent and a wholly-owned subsidiary: "It is inevitable that on occasion parents and subsidiaries will see their interests diverge, particularly in spin-off, sale, and insolvency situations. When this happens, it is wise for the parent to secure for the subsidiary outside representation. That the companies should have separate counsel on the matter of the spin-off transaction, however, does not mean that the parent's in-house counsel must cease representing the subsidiary on all other matters.").

<sup>77</sup> See *supra* Part II(C)(3).

<sup>78</sup> MODEL RULES OF PROF'L CONDUCT r. 1.7.

<sup>79</sup> See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §§ 128-31 (AM. LAW INST. 1998).

common interests. If despite our efforts client interests begin to diverge materially such that there is a concurrent conflict of interest and the Clinic can no longer provide competent, diligent counsel, we state in the engagement letter that we will withdraw from that part of the representation. Additionally, if no part of the representation can be salvaged, we will withdraw entirely from representing the UPstart company. This policy is designed to prevent the Clinic from running afoul of the ethical rules, but also to avoid the risk of creating any information that one party could use as evidence against the other in any future litigation between the parties.<sup>80</sup>

The final question is whether the Clinic could ever truly represent the UPstart company without the representation being “materially limited by the lawyer’s responsibilities to another client,”<sup>81</sup> namely PCI. Since the Clinic is funded by Penn Law School, which, like PCI is affiliated with the University of Pennsylvania, it is worth at least pondering whether the university affiliation to both the Clinic and PCI causes the Clinic’s interests to align more with PCI than with the UPstart company. However, the Clinic’s affiliation with Penn does not change the conflict of interest analysis. First, the UPstart company also has a close affiliation with the University of Pennsylvania. But even putting that nexus aside, as with any client, the Clinic is always bound to analyze in any one situation whether its ability to represent one client is at significant risk of being materially limited by its responsibilities to the other client. The Clinic avoids conflicts by scoping the representation to be over common interests only. As soon as the Clinic’s affiliation with Penn materially limits its ability to provide representation to the UPstart company, either the Clinic needs to withdraw, or it needs to seek informed consent. In other words, the Clinic’s Penn affiliation is only an issue if the clients have diverging interests. If the clients have diverging interests, then the Clinic should consider withdrawing either partially or completely from the representation under Rule 1.7 in any event.

Addressing the tricky conflict of interest questions through a measured yet responsive step-by-step process protects both the Clinic and the clients. The resulting joint-client arrangement allows the Clinic to share its legal analysis at the same time with both the UPstart company and PCI, while feeling secure that it can avoid conflict of interest issues, maintain the all-important duty of confidentiality, and preserve the critical attorney–client privilege.

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<sup>80</sup> *Teleglobe*, 493 F.3d at 366 (“The great caveat of the joint-client privilege is that it only protects communications from compelled disclosure to parties outside the joint representation. When former co-clients sue one another, the default rule is that all communications made in the course of the joint representation are discoverable. This rule has two bases: (1) the presumed intent of the parties, and (2) the lawyer’s fiduciary obligation of candor to both parties.” (citing DEL. R. EVID. § 502(d)(6); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 75(2) & cmt. d.).

<sup>81</sup> MODEL RULES OF PROF’L CONDUCT r. 1.7.

## 2. Sharing Information with Prospective Investors

As a final scenario implicating sharing confidential information, UPstart companies sometimes ask the Detkin IP Clinic students to send the final report out to third party investors while still preserving attorney–client privilege.<sup>82</sup> The attorney–client privilege to such information would likely be compromised if the UPstart company were to send the report to the investors themselves, but would the information remain privileged if the Clinic students sent the information to the investors’ counsel?<sup>83</sup> Under a line of common interest or community interest cases, depending on the circumstances and reasons for the information to be shared, some courts might answer yes. Courts differ on what constitutes a “common legal interest,”<sup>84</sup> between the parties, and whether in order to be subject to the common interest doctrine, the legal interests must be

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<sup>82</sup> This analysis focuses on the privilege issues and assumes for the sake of argument that the investors would also agree to be bound by a confidential disclosure agreement to preserve the confidentiality of the information.

<sup>83</sup> See, e.g. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 263 F.R.D. 142, 146 (D. Del. 2009) (“Moreover, to qualify for and to maintain continued protection, the communication must be shared between counsel. Recognizing that the common interest privilege operates in derivation of disclosure, the attorney-sharing requirement prevents abuse, such as, *post hoc* justification for a client’s impermissible disclosures.”).

<sup>84</sup> Is an interest in ascertaining the value of a company enough to constitute a “common legal interest?” In one case, the court did not uphold the community interest privilege when an investor and a potential target shared a patent opinion that evaluated a third party’s patents during a business negotiation. *Corning Inc. v. SRU Biosystems, LLC*, 223 F.R.D. 189, 190 (D. Del. 2004) (“[The] disclosures . . . were made not in an effort to formulate a joint defense but rather to persuade [a potential business partner] to invest in SRU. Accordingly, the Court concludes that SRU has failed to demonstrate that the parties had agreed to a joint defense strategy or that the opinions were a precaution against anticipated joint litigation.” (citations omitted)). However, other courts have upheld the privilege over shared information, whether or not in the context of anticipated litigation. See *Britesmile, Inc. v. Discus Dental Inc.*, No. C 02-3220 JSW (JL) (N. D. Cal. Aug. 10, 2004) (order denying plaintiff’s discovery request) (court upheld privilege on a business promotion rationale when the defendant party shared a patent opinion letter created by its counsel with the owner of the patent it was interested in purchasing); *Hewlett-Packard Co. v. Bausch*, 115 F.R.D. 308, 311 (N.D. Cal. 1987) (privilege upheld primarily for public policy reasons when court could not decide whether the facts of the case sufficiently met the test to constitute a community of interest, when one party shared an opinion letter analyzing its possible infringement of a third party’s patents with a potential purchaser) (“Holding that this kind of disclosure constitutes a waiver could make it appreciably more difficult to negotiate sales of businesses and products that arguably involve interests protected by laws relating to intellectual property. Unless it serves some significant interest courts should not create procedural doctrine that restricts communication between buyers and sellers, erects barriers to business deals, and increases the risk that prospective buyers will not have access to important information that could play key roles in assessing the value of the business or product they are considering buying.”).

identical, or merely similar, and if the interests can ever be identical if the parties are not yet aligned.<sup>85</sup> However, some courts have in fact extended the privilege to potential investors, with facts similar to what the UPstart companies ask the Detkin IP Clinic to do.<sup>86</sup>

However, for a variety of reasons, we have decided not to rely too heavily on this possibility. Because the community interest privilege is often applied narrowly, because the investor itself—instead of its counsel—might like to review the Clinic report, and because the information shared in the Clinic report is potentially so sensitive, Clinic policy is never to share client information with an investor or any other third party. The Clinic students never assume that the community interest doctrine will apply. In fact, when PCI or the UPstart company informs the Detkin IP Clinic that any of our reports might end up in any third party's hands, even a friendly party like a potential investor, the Clinic students are very careful about what they commit to writing, lest the attorney–client privilege be compromised and the information end up in court.

*D. Navigating Disclosure Obligations When Researching Technology with a Pending Patent Application*

A final challenge of professional ethics facing the students working on PCI projects involves a possible “duty to disclose” when researching patented technology. Among other requirements, in order to receive a U.S. patent, a technology must be “novel.”<sup>87</sup> This means that the technology was not disclosed previously by anyone else anywhere in the world before the filing date of the patent application; any such disclosure would be considered “prior art.” In order to ensure the integrity of the patent process, throughout the entire prosecution until the patent issues, the United States Patent and Trademark Office (USPTO) requires certain defined parties to disclose all potential prior art they discover. Clinic students doing landscape analyses, for example, review dozens of patents in the relevant space. Even if they may be searching patents for reasons unrelated to patent prosecution, the students could potentially uncover a patent or application that might be considered material prior art.

This duty to disclose is described in the USPTO Rules of Professional Conduct,<sup>88</sup> and applies not only to inventors and the filing agent or attorney, but also

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<sup>85</sup> See also *Katz v. AT&T Corp.*, 191 F.R.D 433, 437-38 (E.D. Pa. 2000); *LaBrie*, *supra* note 58, at 5; see *supra* Part IV(C)(1).

<sup>86</sup> To maximize the chances that the information would remain covered by the privilege, the Clinic should also ensure that the investor is separately represented by counsel, and the information is shared with that investor counsel. See *supra* Part IV(C)(1).

<sup>87</sup> 35 U.S.C. § 102 (2012).

<sup>88</sup> 37 C.F.R. § 1.56 (2015). The USPTO Rules of Professional Conduct (USPTO Rules) are a set of rules guiding the conduct of patent agents and patent and trademark attorneys who practice before the USPTO, which were implemented in April, 2013, by amendment of 37

to any “other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, the applicant, an assignee, or anyone to whom there is an obligation to assign the application.”<sup>89</sup> In other words, the duty to disclose applies to persons who had more than an administrative or secretarial role in prosecuting the patent.<sup>90</sup> If this duty to disclose is not met: i) the individual with the duty may have violated his/her ethical obligations under the USPTO Rules;<sup>91</sup> and perhaps more to the point for

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C.F.R. Sections 1, 2, 7, 10, 11 and 41. Attorneys who practice before the USPTO are subject to both the USPTO Rules and the MRPC as implemented by their home state, but the 2013 USPTO Rules amendments were enacted to bring the two sets of rules into better alignment. *See generally* Changes to Representation of Others Before the United States Patent and Trademark Office, 78 Fed. Reg. 20180 (Apr. 3, 2013). The USPTO Rules are more extensive, and include provisions like the duty to disclose that are not applicable to general practitioners. *See, e.g., ABA and USPTO Rule Comparison Chart*, UNITED STATES PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/ip/boards/oed/AbavsUSPTO.pdf> [<https://perma.cc/C3HJ-TC72>] (last visited Apr. 9, 2016). Some of the USPTO Rules are also included or further explained in the Manual of Patent Examining Procedures (the “MPEP”). *See generally* MPEP (9th ed. Rev. 7, Nov. 2015).

<sup>89</sup> 37 C.F.R. § 1.56 reads in part:

(a) . . . 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 . . .

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:(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, the applicant, an assignee, or anyone to whom there is an obligation to assign the application.

<sup>90</sup> *Avid Identification Systems, Inc. v. Crystal Import Corp.*, 603 F.3d 967, 974 (Fed. Cir. 2010) (citing MPEP § 2001.01 (8<sup>th</sup> ed., rev. 2, May 2004)).

<sup>91</sup> 37 C.F.R. § 1.56(a); *see also id.* at § 11.303(e) (listing the duty of disclosure as one aspect of a general duty of candor and good faith in practicing before the tribunal).

the client, ii) the patent might be subject to an allegation of inequitable conduct.<sup>92</sup> Although inequitable conduct is very hard to prove,<sup>93</sup> the consequences of a finding are dire. If a court finds that the patentee (or its counsel) engaged in inequitable conduct, the patent will not issue or will be subject to cancellation.<sup>94</sup>

The students are working for PCI, so they could potentially be associated with the assignee of the application. By working on UPstart technology that is still patent pending, are the students “substantively involved in the preparation or prosecution of the application” enough that the duty to disclose would attach? Separately, if the Clinic student team reveals information to PCI, does that trigger a duty to disclose for PCI? What implications does that have for the Detkin IP Clinic students’ projects?

#### 1) Obligations of Disclosure for Detkin IP Clinic Students

The most relevant set of facts would be if the Clinic students uncovered possible prior art that could impact an active patent application and that was not duplicative of other information already disclosed to the USPTO, which in the students’ judgment was in fact material to the issuance of the patent. Of course,

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<sup>92</sup> See generally *Therasense v. Becton*, 649 F.3d 1276 (Fed. Cir. 2011); 37 C.F.R. § 1.56(a) (“However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct.”); see also MPEP § 2010 (9th ed. Rev. 7, Mar. 2014) (discussing the proper forum to adjudicate an allegation of inequitable conduct, including an allegation based on a violation of 37 C.F.R. § 1.56); Stephen M. Lund, Note, *Adjusting the Individual Duty of Disclosure to Meet the Reality of Corporate Participation in Patent Prosecution*, 3 DREXEL L. REV. 583, 591 (2011) (“When an applicant fails to satisfy the duty to disclose, he violates the duty of candor and good faith, and thus commits inequitable conduct. Applicants violate the duty to disclose when they misrepresent or omit material information, or submit false material information to the PTO. While applicants must disclose any information material to patentability, the typical examples of matters involved in an inequitable conduct claim include prior art references, information connected to statutory bars, and data regarding the subject matter of the patent application.” (citations omitted)).

<sup>93</sup> In order to prove inequitable conduct, a party must show: i) materiality of the omitted information and ii) intent to deceive the USPTO. Not only is direct evidence to prove the elements difficult by nature to uncover, but also the party must prove the elements by clear and convincing evidence. In addition, the recent case of *Therasense v. Becton* raised the standard for the materiality element, such that it is not met unless the party alleging inequitable conduct can show that the patent would have issued “but for” the omitted citation. See generally *Therasense v. Becton*, 649 F.3d 1276 (Fed. Cir. 2011).

<sup>94</sup> Since an issued patent may be challenged and invalidated later in court because of prior art that had not been reviewed previously by the patent examiner, it may also be strategically wise to submit all possible prior art to the examiner for consideration while the patent is still under review. This Part does not weigh in on the question of strategic value. It rather focuses specifically on whether certain parties *must* disclose under the USPTO Rules.

if there were no active patent applications at issue, or if the students only discovered duplicative or non-material citations, then there would be no quandary.<sup>95</sup> The remainder of this Part will only assume that the students find themselves in such a worst-case scenario. Given these facts, do the students have a duty to disclose, putting the issuance or enforceability of the patent at risk if they do not turn over their possible prior art citations?

Since the Detkin IP Clinic students are neither the inventors nor the prosecuting agents or attorneys, the duty to disclose would only apply if the students were “substantively involved in the preparation or prosecution of the application.”<sup>96</sup> Although few courts have had occasion to interpret the meaning of the phrase and apply the concept to decide whether it triggered a duty to disclose, the standard for “substantial involvement” was discussed specifically by the Federal Circuit Court of Appeals in *Avid Identification Systems, Inc. v. Crystal Import Corp.*:

What constitutes “substantive[] involve[ment] in the preparation or prosecution of the application,” the issue on which this case turns, has not previously been addressed by this court. We read “substantively involved” to mean that the involvement relates to the content of the application or decisions related thereto, and that the involvement is not wholly administrative or secretarial in nature.<sup>97</sup>

Applying this standard, the *Avid* court was in fact willing to extend a duty of disclosure to the president of the assignee company, who was not the inventor and had not himself filed the patent applications.<sup>98</sup> However, in cases that have applied *Avid* since, courts have been reluctant to extend the duty of disclosure that far, finding that unless the person was involved with reviewing parts of the application when it was being prosecuted or were substantively involved in making prosecution decisions, no duty attaches.<sup>99</sup> Further, these courts also characterize the facts of the *Avid* case as unique: in *Avid*, the duty of disclosure applied

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<sup>95</sup> There is a separate question as to whether the students have the requisite understanding to know whether any reference is “material” to the prosecution, not being practitioners yet, and in many cases not familiar with patent prosecution. But for purposes of this analysis, we should assume they could determine whether any given reference is material.

<sup>96</sup> 37 C.F.R. § 1.56(c) (2015).

<sup>97</sup> *Avid Identification Systems, Inc. v. Crystal Import Corp.*, 603 F.3d 967, 974 (Fed. Cir. 2010) (citing MPEP § 2001.01 (8<sup>th</sup> ed., rev. 2, May 2004)).

<sup>98</sup> *Id.*

<sup>99</sup> See *CSB-System Intern. Inc. v. SAP America, Inc.*, No. 10–2156, 2012 WL 1645582, at \*8-11 (E.D. Pa. May 10, 2012) (Mem.) (finding that a German attorney who hired a U.S. attorney to file a U.S. application did not have a duty of disclosure (despite his knowledge of the equivalent German patent, his direct instructions to file the patent, and his probable knowledge of a duty of disclosure) because he did not have “actual involvement in the prosecution process” arising to a substantial level, which would have required such steps as “re-

because the president of the company had come up with the concept that was later patented, hired the inventors to patent and productize it, was involved in emails that discussed the content of an equivalent patent the company was filing in Europe, and had deliberately withheld information from the USPTO about a first sale that the court found he knew would have invalidated the patent.<sup>100</sup> In fact, the *Avid* court itself also offered caveats that limited its holding:

Under the terms of Rule 56, the PTO does not assign a duty of candor to persons not associated with a patent application, or to those involved only in a ministerial capacity. Such persons would not be in a position to appreciate that their conduct or knowledge might be relevant to the PTO. . . . Our holding does not automatically extend the duty of candor to all individuals who contact one of the inventors or sign the small entity affidavit. . . . We simply hold that the district court may properly consider a variety of factors, such as an individual's position within the company, role in developing or marketing the patented idea, contact with the inventors or prosecutors, and representations to the PTO in deciding whether that individual is "substantively involved" within the meaning of § 1.56(c)(3) and thus owes a duty of candor to the PTO.<sup>101</sup>

In contrast to the facts in *Avid*, the Detkin IP Clinic students' work for PCI is far removed from the prosecution of the patent. They are not employees of PCI or the inventor UPstart company, and are not affiliated with the prosecuting law firm. While they may have contact with the inventors, the contact furthers a goal distinct from the prosecution of the patent. Finally, unlike the parties in these cases whose actions occur while the patent applications are being filed, the Clinic students start their work for the client after the applications are filed with the USPTO. As such, they make no representations to the USPTO, and while their research may affect the decisions that PCI makes in the prosecution downstream, the Clinic students themselves have no decision making capability over either the content of the application or the prosecution decisions.

Guidance from one commentator recommends that to avoid a charge of inequitable conduct, counsel should "[s]how, if possible, that any non-attorney, agent, or non-inventor who might be argued to have knowledge of materiality of undisclosed information was not involved in the application's content or related

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viewing the application, the prosecution history, or the references disclosed to the patent office" (citing *Janssen Pharm. N.V. v. Mylan Pharms., Inc.*, 456 F.Supp.2d 644, 675–76 (D.N.J. 2006)); *Volterra Semiconductor Corp. v. Primarion, Inc.*, 796 F.Supp.2d 1025, 1134–36 (N.D. Cal. 2011) (finding former president of company and inventor of predecessor technology who might have been involved in decision to file application still not "substantially involved in the prosecution of the patent," even though he had signed the small entity status form on the patent application, since he was not involved in the prosecution and not familiar with the content of the application).

<sup>100</sup> *Avid*, 603 F.3d at 976 & n.3.

<sup>101</sup> *Id.*

decisions . . . .”<sup>102</sup> This is definitely the case here. The students do not drive the prosecution decisions for PCI, nor do they make decisions about a PCI patent application’s content. Therefore, the Detkin IP Clinic students likely do not meet the threshold of being substantively involved in the preparation or prosecution of the application, which incurs a duty of disclosure. They are not under an obligation to disclose any potential prior art they might find in the process of doing their research. However, there is still an added question about what happens if the students do decide to disclose the potentially material information to PCI or the UPstart company. Would PCI or the UPstart company employees then have a duty to disclose?

## 2) Obligation of Disclosure for PCI, UPstart, and Their Employees

The Detkin IP Clinic students might want to include information about possible prior art in their reports for PCI and the UPstart company for a variety of reasons unrelated to the prosecution of the patent. For example, the students might want to show that a certain market is very crowded with patents, or they may want to discuss whether or not the product contemplated by the UPstart company has freedom to operate. It is possible that PCI and UPstart will appreciate knowing about the prior art and will disclose all material information to the USPTO. Yet there may also be times that PCI and UPstart may not want to search for prior art and may not want to risk having to disclose information to the USPTO. In such a situation, if the students include information in their report that is material to the patentability of the invention, do they force PCI or the UPstart company to have such a duty to disclose?

Possibly, depending on who at PCI and the UPstart company reviews the report. Assuming for purposes of discussion that the information is in fact material, the analysis turns again on whether the recipient is one or more of either an “inventor named in the application,” the “attorney or agent who prepares or prosecutes the application,” or a “person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, the applicant, an assignee, or anyone to whom there is an obligation to assign the invention.”<sup>103</sup> Because the duty is assigned to a person, and not to a company, whether a duty attaches will depend on who within PCI and the UPstart company is privy to the information.<sup>104</sup>

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<sup>102</sup> See Timothy G. Ackermann, *Lessons from the Federal Circuit: Defending Against Inequitable Conduct Claims*, 38 AIPLA Q. J. 259, 291 (2010) (discussing how to avoid a ruling of inequitable conduct due to an alleged disclosure violation of a noninventor or nonassignee under 37 C.F.R. §1.56).

<sup>103</sup> 37 C.F.R. § 1.56(c) (2015).

<sup>104</sup> Sam S. Han, *Association of Molecular Pathology Meets Therasense: Analyzing the Unenforceability of Isolated-Sequence-Related Patents for UPenn, Columbia, NYU, Yale, and Emory*, 17 J. TECH. L. & POL’Y 1, 31 (2012) (“According to the Manual of Patent Examining Procedures (MPEP), this duty is imposed on individuals, not entities or corporations.” (citing

Some employees of both PCI and the UPstart company would undoubtedly fall into one of the categories, triggering a duty to disclose. A principal of the UPstart company is usually also the inventor of the underlying technology. Further, although PCI does not prosecute Penn's patents in house (thus removing PCI employees somewhat more from the process than employees at other university TTOs), some PCI employees do still make decisions about which technology to patent, and make final decisions about the active applications, including strategy about responding to office actions. This would likely constitute doing work related to the "content of the application or decisions related thereto,"<sup>105</sup> and thus qualify those employees with such responsibilities as to be "substantively involved in the preparation or prosecution of the application."<sup>106</sup> If the Clinic students were to deliver their report to any of these parties, that would likely trigger a duty to disclose any information that was in fact material to patentability.

It may be a different result, however, if the Detkin IP Clinic report were to be delivered to a non-inventor at the UPstart company, or to a PCI employee who did not make decisions about "the content of the application or decisions related thereto." Assuming for argument's sake that such persons existed, and that the report would still be helpful to them, would sharing the report with them nonetheless trigger a duty of disclosure among the parties closer to the prosecution? In other words, when one individual in a company has material information but no duty to disclose, and another individual in the same company has a duty to disclose but no knowledge of material information, could the knowledge be imputed from person to person? Furthermore, just because one person has knowledge in a company, does that subject the whole company to an allegation of inequitable conduct if the duty to disclose is not satisfied?

A few cases and some commentary have implied that it is in fact possible to impute knowledge of material information across an entity for purposes of showing inequitable conduct.<sup>107</sup> For example, in *W.R. Grace & Co. v. Western U.S.*

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MPEP § 2001.01 (8<sup>th</sup> ed., rev. 2, May 2004)).

<sup>105</sup> *Avid*, 603 F.3d at 974.

<sup>106</sup> See Han, *supra* note 104, at 31 (Discussing Penn's technology transfer office: "Thus, in the context of academic institutions and their respective technology transfer offices (TTO), this duty under Rule 56 would fall on the individuals within the TTO who are involved with the content or decision-making related to a patent application. This is because the individuals within the TTO coordinate the patent application process, relying on the inventors' participation and their respective patent attorneys. As described, the relationship created between inventor and the TTO makes it such that the individuals within these offices are "substantively involved in the preparation or prosecution of the [patent] application." (citing 37 C.F.R. § 1.56)); *id.* at 57-58 ("In the context of this Article, those that are substantively involved in prosecution are the relevant technology licensing officers at the technology transfer offices.").

<sup>107</sup> See David Hricik, *The Risks and Responsibilities of Attorneys and Firms Prosecuting Patents for Different Clients in Related Technologies*, 8 TEX. INTELL. PROP. L.J. 331, 349 &

*Industries, Inc.*, the Ninth Circuit Court of Appeals affirmed that a patent was deemed unenforceable when the information given to the USPTO by one agent of a company was at odds with more correct information potentially held by a different agent of a company.<sup>108</sup> Grace's patent issued based on information stated in a division President's affidavit, which turned out to be false. Even though the President had misunderstood facts, and had not knowingly deceived the USPTO, the Ninth Circuit argued that on agency principals, since another agent of Grace must have known the correct information, Grace as the company knew the correct information, and therefore was liable for the false statement.<sup>109</sup> At least one commentator agrees with this outcome, positing that we should hold corporations—not just the individuals within them—accountable to the duty of disclosure.<sup>110</sup> He claims that such a scenario would lead to more valid patents, since it would destroy a current incentive for corporations to intentionally compartmentalize information in order to ensure that no individual with a duty to disclose also has knowledge that is material to patentability.<sup>111</sup>

But whether or not this is a wise outcome, imputing knowledge across an entity for duty of disclosure purposes is not uniformly accepted by the courts.<sup>112</sup> Furthermore, such an outcome specifically runs counter to the intent of the USPTO, which unambiguously states in its Manual of Patent Examining Procedure ("MPEP")<sup>113</sup> that the duty of disclosure belongs to an individual, rather

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n. 68-69 (2000) (listing and describing the circumstances of several cases and one commentary in notes 68 and 69).

<sup>108</sup> *W.R. Grace & Co. v. Western U.S. Industries, Inc.*, 608 F.2d 1214, 1219 (9th Cir. 1979).

<sup>109</sup> *Id.*

<sup>110</sup> Lund, *supra* note 92, at 592.

<sup>111</sup> *Id.* at 596-99.

<sup>112</sup> *See, e.g., Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 31 Fed. Appx. 727, 729 (Fed. Cir. 2002) (holding no inequitable conduct because executives of plaintiff company with possible material information were not substantively involved in the preparation or prosecution of the application and did not share information with group that was); *Nordberg, Inc. v. Telsmith, Inc.*, 82 F.3d 394, 396-97 (Fed. Cir. 1996) (no inequitable conduct when citation was in assignee company's files, but no showing that individual employees associated with prosecution of the patent had actual knowledge during the prosecution); Hricik, *supra* note 107, at 350 ("Despite the holding of *W.R. Grace*, imputing knowledge to find inequitable conduct is inappropriate, which other courts have recognized. Information known by one attorney in a firm should not be imputed to the client of another attorney in the same firm." (citations omitted)). This imputation analysis assumes, however, that the party with the duty to disclose does not know about the existence and importance of the damaging citation, such that continuing not to inquire about the citation would be an effort to "cultivate ignorance," as discussed at length in Hricik. *Id.* at 352-53.

<sup>113</sup> The MPEP is the set of rules published by the USPTO that guides the practice of patent examiners and applicants and their lawyers or agents prosecuting patents through the USPTO. The MPEP is based on Title 37 of the Code of Federal Regulations. *See* U.S. PATENT AND

than the individual's entity.<sup>114</sup> Since the USPTO's own rules about patent procedure specifically state that the duty of disclosure only applies to the individuals that fall within the categories listed in 1.56(c), and not their entities, it would be antithetical to hold an entity responsible for inequitable conduct for failing to comply with a duty to disclose that did not apply.<sup>115</sup>

In summary, given our "worse-case scenario" facts where the Detkin IP Clinic students uncovered new information that might be later considered to be material to the patentability of a live application, the students could probably still include that information in a PCI report without worrying that nondisclosure of the information might subject the patent to an allegation of inequitable conduct. However, this conclusion is not without several cautions. The students should interface only with individuals that do not have a duty of disclosure. Individuals with a duty of disclosure should be shielded from access to or probably even knowing about any report with potentially material information, so that they do not face an argument that they "cultivated ignorance" about any citations.<sup>116</sup> There is likely no imputation across the company, given that the MPEP is clear that a duty of disclosure belongs only to the individual. However, the MPEP does not have the force of law,<sup>117</sup> and there is currently a split in the courts.<sup>118</sup> Given all the cautions, we are wise to proceed carefully, even though an allegation of inequitable conduct requires clear and convincing proof. The implication for the Clinic student projects are discussed below.

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TRADEMARK OFFICE, *Introduction to MANUAL OF PATENT EXAMINING PROCEDURE 2* (9th ed. 2015), <https://www.uspto.gov/web/offices/pac/mpep/mpep-0020-introduction.pdf>.

<sup>114</sup> MPEP § 2001.01 (9th ed., Rev. 7, Nov. 2015) (Interpreting 37 C.F.R. § 1.56 (c) by stating: "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>115</sup> See Hricik, *supra* note 107, at 350 ("[T]he 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.")

<sup>116</sup> *Id.* at 352-53.

<sup>117</sup> *Id.* at 351 ("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.'" (quoting *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997)))

<sup>118</sup> *Id.* ("In light of the conflicting cases, one commentator concludes that it 'is unclear whether . . . this knowledge is imputed to the attorney's entire firm.'" (quoting Alan H. MacPherson et al., *Ethics in Patent Practice (A Brief Visit to Several Areas of Concern)*, 574 PLI/Pat 657, 665 (Oct. 7, 1999)))

### 3) Implications for Student Projects

Although we have a good argument that uncovering even material information while doing non-prosecution patent work for PCI would not subject either the students or most PCI employees (and PCI itself) to a duty of disclosure, we surely do not want to leave any active PCI patents vulnerable to a claim of inequitable conduct. This leaves the Clinic with three options.

First, if the Clinic students uncover any information possibly material to patentability while doing the PCI work, they could keep that information out of the final report and within the Clinic and never reveal it to PCI or the UPstart company. However, this might be impractical; some of the information uncovered could be valuable to the clients for a variety of legal as well as business reasons, and a blanket policy never to reveal it would not serve the long-term interests of either PCI or the UPstart company. In addition, although extremely unlikely, we cannot discount the small chance that a court might someday impute the Detkin IP Clinic students' knowledge over to the prosecuting attorney or to the PCI or UPstart client anyway, regardless of whether the Clinic students revealed the information themselves to anyone with an affirmative duty to disclose. On balance, once the Clinic students obtain material information, provided it is otherwise helpful information for PCI or the UPstart company, the Clinic students should not keep the information out of their report based solely on a fear of triggering a duty of disclosure.

A second alternative would be to take on only projects for PCI and UPstart companies for which the technology is already patented, such that the duty to disclose no longer applies. Although this alternative too would be possible, it is not entirely practical, since many of the PCI/UPstart projects with the most pressing commercialization questions have at least one pending patent. This could greatly limit the usefulness of student projects to PCI.

The third and likely best alternative is to set a procedure in place ahead of time between all parties to evaluate and deal consistently with delivery of the research reports. As a preliminary step, all Detkin IP Clinic students should study and know the boundaries of the 37 C.F.R. § 1.56 duty of disclosure. Then should the Clinic students later learn about active PCI patent applications while doing client work, the students should bring any information they uncover that might bear on whether or not those patents should issue to the attention of the Clinic supervisor. If the Clinic supervisor and the Clinic students determine that the information is in fact likely material to patentability, they will next determine if the information should be revealed to PCI/UPstart. Assuming that it is otherwise helpful information, the Clinic students can describe the information in general terms, as well as discuss the C.F.R. § 1.56 duty to disclose, with an employee of PCI or UPstart that is not an inventor and was not substantially involved in the preparation or prosecution of the application. At that point, the PCI and UPstart employees can determine to whom the information should be

revealed, if anyone. If the PCI/UPstart company personnel to whom the information is revealed are under the duty of disclosure, and if the information is in fact material, PCI and UPstart can then discharge their duty to disclose the information to the USPTO.

By setting forth a procedure to handle the sensitive information carefully, the Clinic can preserve PCI and UPstart's options. PCI and UPstart would likely want to disclose any uncovered material citations to the USPTO, not only because of the obligations set forth under the USPTO Rules, but also to ensure that the patent that issues is strong and irrefutable. However, the Clinic wants to make sure that the clients are not forced to disclose any information they did not expect to disclose. By being deliberate about information sharing and being thoughtful about the requirements of the USPTO Rules, the Clinic can help to meet client needs in a way that is both fruitful and ethical.

#### IV. CONCLUSION

Establishing an ongoing relationship between a law school transactional clinic and the university technology transfer office can provide a unique learning opportunity for students and a valuable resource for the university and its nascent start-up companies. Students gain sophisticated and interesting practical experience at the crossroads between law and business, and the university and its spin offs gain critical (and cost-efficient) patent-informed commercialization research. There can be unique challenges to such an arrangement, including ethical challenges, that may seem daunting at first to navigate. However, the challenges are surmountable through careful consideration and cooperative effort, making the payoff gain well worth the effort.

**Form 1**  
**DRAFT MODEL ENGAGEMENT LETTER**

[DATE]

**VIA EMAIL AND**  
**FIRST CLASS U.S. MAIL**

[CLIENT NAME AND ADDRESS]

Re: *Engagement for Services – \_\_\_ Semester 201\_*

Dear [CLIENT]:

We are pleased to inform you that the \_\_\_\_\_ Legal Clinic (“the Clinic”) is prepared to provide [CLIENT NAME] with legal assistance for this semester. This letter outlines the scope and terms of the Clinic’s representation. **If the terms as outlined below are acceptable to you, please sign the enclosed copy of this letter and return it to us at the Clinic address listed above.** Please understand that if you do not promptly return an executed copy of this letter, it may greatly limit and possibly preclude the ability of the Clinic to provide legal services to you.

Scope of Representation:

For the \_\_ semester of 201\_, the Clinic agrees to represent [CLIENT] with respect to the following matters:

- [FILL IN DESCRIPTION OF SCOPE OF WORK]

At this time, the Clinic’s representation will not include legal work beyond the work described above. However, if [CLIENT] and the Clinic agree, the Clinic may provide additional services to [CLIENT] by the parties either amending this agreement or entering into a separate written agreement in the future.

General Terms:

You are aware that the legal assistance provided to you will be performed by student counselors under the supervision of a faculty advisor who is a member of the \_\_\_ Bar. You acknowledge that the Clinic is an educational program that provides both a community service and a valuable educational experience for law students, and you consent to assistance by law students. While the legal services the Clinic provides are free, you agree that [CLIENT] will pay for any and all USPTO application and filing fees as applicable.

The Clinic will represent [CLIENT] only and not you or any of [CLIENT'S] employees or agents in an individual capacity. Although we will be working with various [CLIENT] employees in order to deliver our services, each of these employees will act as [CLIENT'S] agent with respect to its dealings with the Clinic in order to best serve the interests of [CLIENT].

At times, it may be helpful for the Clinic to consult with other attorneys or other professionals that are part of our Clinic regarding the legal questions raised by your matters. You hereby authorize the Clinic to discuss with other attorneys or professionals that are part of our Clinic [CLIENT'S] legal matters in accordance with its ethical and professional duties. Such an authorization is understood by both parties not to constitute a waiver of the attorney-client privilege or a breach of our confidentiality obligations to you.

The attorney-client privilege applies to all legal matters that we handle for you. However, certain business matters or documents may fall outside of the attorney-client privilege. Nonetheless, during our representation, we will endeavor to safeguard your important business documents and information, whether or not the privilege applies. You understand that you may also purposefully or inadvertently waive the attorney-client privilege by discussing privileged information with third parties not affiliated with the Clinic, and you must therefore take care to safeguard such information. You should particularly be mindful of potential disclosure that could occur when third parties have access to the email account that you use when communicating with the Clinic, as with an employer-owned account, an account open to third party access, or an account that you share with other users. Please feel free to discuss issues of confidentiality and attorney-client privilege with us at any time.

From time to time, the Clinic features its clients in publicity materials or in representations in the media solely to promote our clients and the work that we do in the Clinic. You acknowledge and agree that the Clinic may, subject to its ethical and professional responsibilities and without obtaining any further informed consent, refer to its representation of [CLIENT] and the work performed for [CLIENT], and use [CLIENT'S] name, related trademarks, and logos for public relations purposes, including without limitation, on the Clinic's website and in social media, even after the Clinic's relationship with [CLIENT] has terminated.

Your diligent and responsible cooperation and support is necessary. Subject to our ethical and professional responsibilities, the Clinic reserves the right to terminate this relationship if we feel that we are unable to adequately service you. If the Clinic determines that it must terminate the attorney-client relation-

ship under these terms, the Clinic will send advance written notice of such termination to [CLIENT'S] address. [CLIENT] has the right to terminate this relationship at any time and for any reason by delivering written notice to the Clinic at the address above.

Please keep a copy of this letter for your records. If you have any questions or concerns about this letter, please contact us at (215) 898-8044 or via email at \_\_\_\_\_ or \_\_\_\_\_. We look forward to working together.

Sincerely,

\_\_\_\_\_  
[NAME]

Law Student Counselor

\_\_\_\_\_  
[NAME]  
Law Student Counselor

Supervised by: [SUPERVISOR NAME]

Agreed and accepted this \_\_\_\_ day of \_\_\_\_\_, 201\_

[CLIENT]

By: \_\_\_\_\_

Name:

Title:

**Form 2**  
**Draft Model Consulting and Confidentiality Agreement**

This Consulting Agreement (“Agreement”) is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (“**Effective Date**”) by and between the \_\_\_\_\_ Legal Clinic (hereinafter referred to as “**the Clinic**”) and \_\_\_\_\_ (hereinafter referred to as “**Consultant**”). The parties agree as follows:

1. **Scope:** Consultant shall act as an agent of the Clinic in order to receive information and provide advice (“**Advice**”) necessary to assist the Clinic in rendering legal services to Clinic client \_\_\_\_\_ (“**Client**”). Consultant shall not be nor act as an agent of the Clinic for any other purpose.

2. **Payment:** The Clinic and the Consultant agree that the Advice provided by the Consultant shall be offered free of charge.

3. **Use of Counsel:** The Clinic will use Consultant’s Advice for the limited purpose of providing legal counsel to Client, and for no other purpose. All Advice shall be deemed Confidential Information and shall be attorney client privileged.

**4. Confidentiality:**

4.1 **Definition of Confidential Information:** “**Confidential Information**” as used in this Agreement shall mean any and all technical or non-technical information related to the Client and legal analysis related to the same, including but not limited to inventions, patentable subject matter, patent applications, freedom to operate or patentability assessments, copyrights, trade secrets, computer files, and Client information related to past, current, or proposed business plans.

4.2 **Nondisclosure and Nonuse Obligations:** Consultant shall protect the confidentiality of all Confidential Information and, except as permitted in this Agreement, Consultant may not use nor disclose the Confidential Information. Consultant may use the Confidential Information solely to assist the Clinic in rendering legal services to Client under this Agreement.

4.3 **Exclusion from Nondisclosure and Nonuse Obligations:** Consultant’s obligations under Section 4.2 (“Nondisclosure and Nonuse Obligations”) shall not apply to any such portion of the Confidential Information that the Consultant can demonstrate was in the public domain. A disclosure of Confidential Information by Consultant, either (i) in response to a valid order by a court or other governmental body, (ii) otherwise required by law, or (iii) necessary to establish the rights of either party under this Agreement, shall not be considered a breach of this Agreement or a waiver of confidentiality for other purposes, provided, however, that Consultant shall provide prompt written notice thereof to the

Clinic such that the Clinic may further advise the Client about protecting the Client's rights.

**5. Survival and Termination:**

5.1 **Expiration:** This term of this Agreement shall be through \_\_\_\_\_.

5.2 **Survival:** The terms and obligations of Sections 4 of the Agreement shall survive and remain in full force and effect after expiration or any termination of this Agreement, regardless of the cause of such termination.

6. **Applicable Law:** This Agreement shall be governed by the laws of the state of \_\_\_\_\_.

IN WITNESS WHEREOF, the parties have executed this Agreement and agreed to be bound by its terms.

\_\_\_\_\_ **Legal Clinic**

Represented by: \_\_\_\_\_

Name:

Title:

**Consultant**

By: \_\_\_\_\_

Name: