



25 May 2011

George Wardle  
Ministry of Economic Development  
PO Box 1473  
Wellington 6011

By email: [george.wardle@med.govt.nz](mailto:george.wardle@med.govt.nz)

Dear Mr Wardle

## **Single Trans-Tasman Regulatory Framework for Patent Attorneys**

### **Introduction**

The New Zealand Law Society (Society) appreciates the opportunity to make submissions on the proposals outlined in the *Single Trans-Tasman Regulatory Framework for Patent Attorneys, Discussion Paper*, March 2011 (discussion paper). However, as the time for making submissions is very short, the Society has not been able to carry out the consultation with its members that it would have wished and in fact consultation has largely been limited to obtaining views from the Society's Intellectual Property Law Committee.

In these submissions, the Society has confined itself to aspects of the proposed regime which would particularly affect the legal profession in New Zealand. Members of the Society's Intellectual Property Law Committee have indicated the submissions on other aspects of the proposal might best be left to patent attorneys (whether lawyers or non-lawyers).

### **Single Trans-Tasman Regulatory Framework**

The Society notes that the proposed Single Trans-Tasman Regulatory Framework for Patent Attorneys accords with the Joint Statement of Intent released by the Prime Ministers of New Zealand and Australia in August 2009. Further comments of the Society are set out below.

It appears that the passage of the current Patent Attorneys Bill will be delayed whilst various issues relating to the proposed regulatory framework are resolved. The Society supports this approach.

The single regulatory approach could well result in an increase in the number of Australian and New Zealand patent attorney firms who extend their practices across the Tasman, which will heighten the desirability of harmonising the regulatory framework for patent attorneys in both jurisdictions.

There has been some criticism that a sufficiently rigorous cost benefit analysis of the proposed single regulatory framework has not been undertaken. However, given the position already reached, and in particular the 2009 Statement of Intent, it would seem that this proposal is likely to proceed.

### **Dual regimes**

The Society has concerns about those persons who are both lawyers and patent attorneys being subject to two separate regulatory regimes.

It is accepted that:

- (a) consistent qualification requirements for registration as a patent attorney, and
- (b) a single register of patent attorneys

are appropriate and should apply to those with dual roles. However, the Society considers it would be entirely inappropriate for those with dual roles to be subjected to two separate conduct and disciplinary regimes.

The legal profession is subject to a comprehensive regulatory regime designed to protect the interests of clients. This regime is unmatched by that of any other professional or occupation group in this country. Features of the regime include the following:

- The fundamental obligations imposed on all lawyers by section 4 of the Lawyers and Conveyancers Act (LCA) including:
  - (a) to be independent in providing services to clients, and
  - (b) to act in accordance with all fiduciary duties and duties of care owed by lawyers to their clients.
- The fiduciary obligations which lawyers owe to their clients which exceed the duties of other professional or occupation groups, including patent attorneys.
- Rule 3 of the *Lawyers Conduct and Client Care Rules* (RCCC) states that a lawyer must always act competently. Accordingly, a lawyer in providing services must at all times do so competently.
- The RCCC comprises a detailed set of rules of conduct and client care which are binding on all lawyers.
- Rule 3.8 RCCC requires each lawyer to ensure that the lawyer's practice establishes and maintains appropriate procedures for handling complaints by clients with a view to ensuring that each complaint is dealt with promptly and fairly by the practice.
- As required by the LCA, the Society maintains a Lawyers Complaints Service which operates on a user friendly basis. Complaints are considered by Standards Committees comprising lawyers and at least one lay person. Standards Committees are able to impose a wide range of orders, including orders to:
  - (a) reduce or cancel fees;
  - (b) pay compensation;
  - (c) rectify at the lawyer's own expense any error or omission;
  - (d) pay a fine.

- A complainant may apply to the Legal Complaints Review Officer (an independent Government-appointed person) to review a Standards Committee decision.
- The Society operates a comprehensive financial assurance scheme. Compliance with trust account rules is monitored and enforced by a team of Society inspectors supplemented by a number of chartered accounting firms.
- The Society maintains a fidelity fund which provides compensation, in whole or in part, to clients in the event of theft by their lawyer (part 10 of the LCA sets out the detail).
- In order to be admitted as a lawyer, a person must obtain a law degree (which involves at least a four-year study course), undertake the prescribed law professional course and satisfy the Court that he or she is a fit and proper person to be admitted as a barrister and solicitor.
- The Society provides continuing legal education through NZLS CLE Ltd, which conducts travelling seminars, webinars, workshops, intensives, programmes and conferences covering a wide range of topics.
- Rule 3.9 RCCC requires a lawyer to undertake continuing education and professional development necessary to ensure an adequate level of knowledge and competence in his or her fields of practice.

The single code of conduct for patent attorneys, so far as can be gathered from the discussion paper, would do little more than replicate some of the obligations of lawyers. In these circumstances, it is entirely inappropriate for lawyers to be subject to two separate conduct and disciplinary regimes, namely their own and those imposed under the Patent Attorney Trans-Tasman Regime. This would confer little or no benefit on anyone, would cause confusion, and would add to compliance costs which would ultimately be met by consumers.

Further, if lawyer patent attorneys were subject to two separate complaints and disciplinary regimes, this would permit individuals to lodge complaints under either or both regimes. Lawyers should not be exposed to this dual process and double jeopardy.

It is suggested that where in respect of a New Zealand lawyer/patent attorney a complaint is made to the patent attorneys' Governance Body, that body should be required to refer it to the Society's Complaints Service. A similar approach should apply in the case of Australian lawyer/patent attorneys, where the complaint should be referred to the appropriate lawyers' complaints body in the relevant state.

### **Multi-disciplinary practices (MDPs)**

The Working Group proposes that patent attorneys should be allowed to form MDPs with non-patent attorneys. Whilst in most situations that may not present undue difficulty, the Society does not consider that non-lawyer patent attorneys should be able to enter into MDPs with lawyers.

Lawyers have a range of obligations and client protection measures which are not shared by any other profession or occupation group. These include the following:

- (a) The fundamental obligations imposed by s4 LCA.
- (b) The detailed obligations in respect of conduct and client care set out in the Lawyers and Conveyancers Act (Lawyers Conduct and Client Care) Rules 2008.

- (c) The obligations of lawyers in relation to trust accounts imposed by the Lawyers and Conveyancers Act (Trust Account) Regulations 2008.
- (d) The obligations of lawyers in relation to the fidelity fund under Part 10 LCA.
- (e) The complaints and disciplinary regime under Part 7 LCA. This includes the reference of complaints to standards committees with the right to seek review by the Legal Complaints Review Officer, an independent person appointed by the Government.
- (f) Lawyers are the subject of a comprehensive financial assurance scheme under which compliance with trust account rules is monitored by a team of Society inspectors and enforced.
- (g) Comprehensive legal professional privilege. (For patent attorneys, privilege is limited to intellectual property matters as defined in s54(3) Evidence Act 2006.)

An MDP comprised partly of lawyers who are subject to the above obligations and partly of non-lawyer patent attorneys who are not would create confusion and difficulty. It would often be unclear whether and to what extent clients of the firm receive the benefits of the above measures, particularly where the person dealing with the client is a non-lawyer patent attorney.

It is because of these kinds of difficulties that the LCA prohibits lawyer involvement in MDPs of any kind. **Attached** is a copy of an opinion dated 29 July 2009 which the Society obtained from Douglas White QC (as he then was), in which he convincingly argues that:

- (a) the LCA does not permit lawyer involvement in MDPs (paragraph 27); and
- (b) the income-sharing arrangements between lawyers and patent attorneys referred to in s94(g) LCA envisage and permit regulations which enable the sharing of income in prescribed circumstances between lawyers and patent attorneys and do not extend to the creation of MDPs between lawyers and patent attorneys (paragraphs 5 to 28).

The LCA reflects Government policy that lawyers should not participate in MDPs. There is no call for that policy to be revisited.

To permit lawyers to join in partnership with non-lawyers (including non-lawyer patent attorneys) would require substantial amendment to the LCA. This would involve the inclusion of provisions requiring the law firm component of an MDP to be isolated from the rest of the firm insofar as application of and compliance with the range of requirements imposed by the LCA are concerned.

This major change can readily be avoided by patent attorneys operating under a two-firm structure, namely:

- (a) a firm comprising lawyers, including lawyer patent attorneys; and
- (b) a separate firm comprising non-lawyer patent attorneys.

These two firms may then share income. The Society understands that this or a similar model is already adopted by some patent attorney firms.

Accordingly, the Society submits that, if patent attorneys are permitted to enter into MDPs, these must not include lawyers.

Insofar as clause 190A(1) of the Patent Attorneys Bill suggests that there may be mixed partnerships between lawyers and patent attorneys, the Society submits that it should be amended. Apart from other considerations, in the Society's view, it would be inconsistent with the LCA. The words in parentheses 'whether in partnership or otherwise' should be omitted.

### **Restrictions on lawyers' services**

In Chapter 8 of the discussion paper, the Working Party proposes that a lawyer who is not also a patent attorney should not be permitted to prepare or amend a patent specification unless the lawyer is acting under instructions of a registered patent attorney or the amendment has been directed by an order of the Court. Clause 190 of the Patent Attorneys Bill takes the same approach.

The Society considers that this absolute prohibition is unnecessary and undesirable.

Under section 4 LCA it is a fundamental obligation of lawyers to "act in accordance with all fiduciary duties and duties of care owed by lawyers to their clients". This provision is reinforced by Rule 3 RCCC which states:

"In providing regulated services to a client, a lawyer must always act competently and in a timely manner consistent with the terms of the retainer and the duty to take reasonable care."

It is clear that lawyers must at all times act competently and that this requires a lawyer not to undertake work in an area beyond that lawyer's field of competency.

Under these circumstances, an absolute statutory provision preventing **all** lawyers from preparing or amending a patent specification is both unnecessary and undesirable. It is undesirable because:

- (a) some lawyers will be competent to prepare or amend particular patent specifications;
- (b) it would unnecessarily limit competition because it would prevent lawyers with appropriate skills and knowledge from carrying out this work; and
- (c) it is not necessary for the proper protection of consumers.

Accordingly, the Society opposes the suggested prohibition.

If you have any queries or wish to discuss this submission, please contact Mary Ollivier, Acting General Manager Regulatory (ph (04) 463 2956 / email [mary.ollivier@lawsociety.org.nz](mailto:mary.ollivier@lawsociety.org.nz)).

Yours sincerely



Andrew Gilchrist  
**Vice President**

Attachment: Opinion of Douglas White QC, dated 29 July 2009