



Consultation by the Legal Services Board on regulation of in-house lawyers

General background

The Legal Services Act 2007, which followed the Clementi Review, had two main practical effects:

- first, it established regulators for lawyers and the Legal Ombudsman independent of professional bodies for lawyers; and
- secondly (not relevant in the present context), it permitted the creation of private practices consisting of different types of lawyer (“LDPs”) and also consisting of lawyers together with non-lawyers (“ABSs”).

The Federation’s members employ, “in-house”, the following classes of lawyer to do IP work: registered UK patent attorneys, registered UK trade mark attorneys, English solicitors, and English barristers. Sometimes, members employ European patent attorneys lacking national registration; these are not lawyers under the Legal Services Act, but valuably their communications with their clients/employers are privileged on a par with registered UK patent attorneys (Copyright, Designs and Patents Act 1988, Section 280).

This report focuses on registered UK patent attorneys and registered UK trade mark attorneys (from now on referred to simply as “attorneys”).

Attorneys are registered and regulated by the Intellectual Property Regulation Board (IPReg). If they wish, attorneys may join the Chartered Institute of Patent Attorneys (CIPA) and the Institute of Trade Mark Attorneys (ITMA) who provide various services and represent them. (Likewise, English solicitors are regulated by the Solicitors Regulation Authority (SRA), and may if they wish join the Law Society.)

IPReg requires attorneys to comply with *Rules of conduct for patent attorneys, trade mark attorneys and other regulated persons* (first issued September 2009, amended to January 2015) and *Special rules of professional conduct applicable to regulated persons conducting litigation or exercising a right of audience before the courts* (commencement date 15 September 2011, updated May 2015).

Importantly, the key obligations of an in-house attorney are identical to those of an attorney in private practice. For instance, he or she must deal competently and honestly with his or client (who may be his or her employer) and must further his or her client’s interests; but overridingly he or she may not, even on instructions from the client, deal dishonestly with third parties or the courts. He or she is also obliged to maintain his or her professional skill and knowledge through Continuing Professional Development (CPD).

Key background to the Legal Services Board consultation: two points

Point A

Under the Legal Services Act, only persons subject to regulation by IPReg, the SRA, and other regulators are allowed to undertake “reserved activities”, subject to such further conditions as the regulators impose. Under IPReg, *Rights to conduct litigation and rights of audience and other reserved legal activities certification rules 2012* (amended to January

2015), an attorney is permitted, subject to conditions,¹ -

- (i) to conduct litigation;
- (ii) to exercise rights of audience;
- (iii) to draft deeds; and
- (iv) to administer oaths and use the title "commissioner of oaths".

Point B

Under the IPReg *Rules*, in-house attorneys are exempted from requirements (i) to have professional indemnity insurance, and (ii) to have complaints-handling procedures, so long as they are performing "corporate work", which is defined as follows:

professional work undertaken by an employed regulated person acting solely as an agent on behalf of:

- a) their [*sic*] employer;
- b) a company or organisation controlled by their employer or in which their employer has a substantial measure of control;
- c) a company in the same group as their employer;
- d) a company which controls their employer;
- e) an employee (including a director or a company secretary) of a company or organisation under (a) to (d) above, where the matter relates [*sic*] or arises out of the work of that company or organisation; or
- f) another person with whom a person under (a) to (e) above has a common interest.

This definition, whose breadth owes much to lobbying by the Federation (*Trends and Events*, 2010, pages 23-24) covers all the activities of most in-house IP departments, especially once the further amplification of (f) in the *Rules* is taken into account.

The consultation

The Legal Services Board (LSB), which authorises IPReg, the SRA, and the other regulators, has interpreted the IPReg *Rules* as barring *completely* the performance by in-house attorneys for any clients other than those covered in the definition of "corporate work". For example (on the LSB interpretation), if a company disposes of a business, its in-house attorneys - under (f) above - can carry on filing and prosecuting patent applications for the disposed-of business for a transitional period sufficient to allow a smooth takeover by new attorneys, *but cannot continue serving the business indefinitely*. This bar on indefinitely continued service applies even if insurance is procured, complaints-handling is instituted, and there is no conflict of interest. *Pro bono* work is likewise not allowed on the LSB interpretation.

Now, the Legal Services Act, Section 15 clearly provides for special limitations on clients that in-house lawyers may serve, but only in relation to "reserved activities". But patent filing and prosecution (mentioned by way of example above) is not a reserved activity, nor would *pro bono* work be likely to extend to reserved activity.

Accordingly, in its consultation of February 2015, the LSB questioned whether IPReg should be constraining in-house practitioners to serve only certain clients even in relation to non-reserved activities. (The SRA was similarly challenged.)

The Federation response to the consultation

The Federation's main concern in its response was to seek to preserve the gains achieved by its lobbying in 2010, namely the exemption of in-house departments from insurance and complaints-handling requirements in relation to "corporate work" as presently defined.

However, the Federation saw no reason why there should be any general limitation on

¹ The conditions are contained in all three IPReg documents taken together; in addition, Legal Services Act, Section 15 applies directly.

the range of clients for whom in-house attorneys could perform non-reserved activities, while acknowledging that, outside the range of clients listed in the current definition of "corporate work", insurance and complaints-handling requirements would mostly be appropriate.

Next steps

The Legal Services Board will issue a "Statement of policy" for IPReg and the other regulators. Once this is issued, the Federation will engage as necessary with IPReg.

Michael Jewess, 13 November 2015