

Committee Opinion

April 16, 2008

Editorial Note: The relevant regulations are now found in 37 C.F.R. Part 11.

LEGAL ETHICS OPINION 1843

WHETHER A MEMBER OF THE
VIRGINIA STATE BAR WHO
PRACTICES PATENT LAW CAN BE A
PARTNER WITH A NON-LAWYER
REGISTERED PATENT AGENT?

This hypothetical involves a Virginia licensed lawyer who has maintained associate status during the course of his employment with the United States Patent and Trademark Office (“USPTO”). He has now retired and is considering two different options as he contemplates the practice of patent law with a firm owned by a non-lawyer registered patent agent. The questions presented involve whether or not he can be employed by the firm as a patent attorney and would, therefore, be sharing legal fees with a non-lawyer registered patent agent. In the alternative, could he maintain associate status and be employed as a registered patent agent? Under either scenario, the firm would be solely engaged in the practice of patent law before the USPTO.

Under Rule 5.4(b)¹, a lawyer cannot form a partnership with a non-lawyer; however, in the specific case of a patent lawyer, that rule is pre-empted by the Supremacy Clause² and 37 C.F.R. §10, which deal with representation of others before the USPTO³.

The U.S. Supreme Court has held that “[a] State may not enforce licensing requirements which, though valid in the absence of federal regulation, give ‘the State’s licensing board a virtual power of review over the federal determination that a person or agency is qualified and entitled to perform certain functions, or which impose upon the performance of activity sanctioned by federal license additional conditions not contemplated by Congress.’” Sperry v. Florida ex rel. Florida Bar, 373 U.S. 379, 385 (1963). Therefore, this legal authority leads to the conclusion that the Virginia Rules of Professional Conduct are preempted by the federal regulations as they pertain to the specific practice of patent law before the USPTO.

¹ Rule 5.4 Professional Independence Of A Lawyer

(b) A lawyer shall not form a partnership with a nonlawyer if any of the activities of the partnership consist of the practice of law.

² Article Six of the Constitution of the United States in pertinent part: “[t]his Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, any thing in the Constitution or laws of any state to the contrary notwithstanding. “

³ As part of the definitions under 37 C.F.R. §10.1, the code states:

This part governs solely the practice of patent, trademark and other law before the Patent and Trademark office. Nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its Federal Objectives.

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The C.F.R. that regulates practice before the USPTO regulates forming a partnership or sharing fees between practitioners.

A practitioner is defined in 37 C.F.R. §10.1 (r):

Practitioner means (1) an attorney or agent registered to practice before the Office in patent cases or (2) an individual authorized under 5 U.S.C. 500(b) or otherwise as provided by this subchapter, to practice before the Office in trademark cases or other non-patent cases.

Thus, while Rule 5.4(a) and (b)⁴ prohibit a lawyer from forming a partnership or sharing legal fees with a non-lawyer, 37 CFR §10.49 allows the formation of a partnership among lawyer and non-lawyer “practitioners” as long as the activities of that partnership consist solely of the practice of patent law before the USPTO.

Finally, in dealing with the sharing of legal fees in a practice, 37 C.F.R. §10.48 permits a lawyer/practitioner to share legal fees with a non-practitioner.

Thus, the federal regulations permit forming partnerships and sharing fees between attorneys and registered patent agents to the extent the shared fees arise from the practice of patent law before the USPTO. As a result, the requestor can join the practice of a non-lawyer patent agent either as a registered active Virginia lawyer or an associate member of the Virginia State Bar, as long as that practice is devoted solely to patent law before the USPTO.

This opinion is advisory only, and not binding on any court or tribunal.

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⁴ RULE 5.4 Professional Independence Of A Lawyer

- (a) A lawyer or law firm shall not share legal fees with a nonlawyer, except that:
- (1) an agreement by a lawyer with the lawyer's firm, partner, or associate may provide for the payment of money, over a reasonable period of time after the lawyer's death, to the lawyer's estate or to one or more specified persons;
 - (2) a lawyer who undertakes to complete unfinished legal business of a deceased, disabled, or disappeared lawyer may pay to the estate or other representative of that lawyer that portion of the total compensation that fairly represents the services rendered by the deceased, disabled or disappeared lawyer;
 - (3) a lawyer or law firm may include nonlawyer employees in a compensation or retirement plan, even though the plan is based in whole or in part on a profit-sharing arrangement; and
 - (4) a lawyer may accept discounted payment of his fee from a credit card company on behalf of a client.
- (b) A lawyer shall not form a partnership with a nonlawyer if any of the activities of the partnership consist of the practice of law.

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