SANCTION BY DISCIPLINARY BOARD SUSPENSION OF ONE YEAR OR LESS WITH OR WITHOUT TERMS

On November 7, 2007, the Standing Committee on Lawyer Discipline approved a proposed amendment which would provide a Suspension of one year or less, with or without terms, as an available sanction by the Virginia State Bar Disciplinary Board.

Part 6, Section IV, Paragraph 13 of the Rules of the Virginia Supreme Court

13. PROCEDURE FOR DISCIPLINING, SUSPENDING, AND DISBARRING ATTORNEYS.

* * *

I. Board Proceedings

* * *

2. Hearing Procedures

* * *

f. Disposition

(1) If the Board concludes that the evidence fails to show under a clear and convincing evidentiary standard that the Respondent engaged in the Misconduct, the Board shall dismiss any Charge of Misconduct not so proven.

(2) If the Board concludes that there has been presented clear and convincing evidence that the Respondent has engaged in Misconduct, after considering evidence and arguments in aggravation and mitigation, the Board shall impose one of the following sanctions and state the effective date of the sanction imposed:

(a) Admonition, with or without Terms;

(b) Public Reprimand, with or without Terms;

(c) Suspension of the License of the Respondent;

(i) For a stated period not exceeding five years; provided, however, if the Suspension is for more than one year, the Respondent must apply for Reinstatement as provided in this Paragraph; or

(ii) For a stated period of one year or less, with or without Terms; or

(d) Revocation of the Respondent's License.

* * *

Comments or questions should be submitted in writing to the Executive Director, Virginia State Bar, 707 East Main Street, Suite 1500, Richmond, Virginia 23219, no later than May 15, 2008. The Virginia State Bar Council will consider the proposed amendments when it meets on June 19, 2008.

LEGAL ETHICS OPINION

VIRGINIA STATE BAR'S STANDING COMMITTEE ON LEGAL ETHICS SEEKING PUBLIC COMMENT ON LEGAL ETHICS OPINION 1843

Pursuant to Part Six: Section IV, Paragraph 10(c)(iii) of the Rules of the Supreme Court of Virginia, the Virginia State Bar's Standing Committee on Legal Ethics ("Committee") is seeking public comment on proposed advisory Legal Ethics Opinion 1843, *Whether a Member of the Virginia State Bar Who Practices Patent Law Can be a Partner with a Non-lawyer Patent Agent?*

This hypothetical involves the question of whether a member of the Virginia State Bar who practices patent law can be employed by a firm owned by a non-lawyer patent agent and share legal fees with the non-lawyer patent agent. Traditionally, a lawyer cannot form a partnership with a non-lawyer as per Rule 5.4(b); however, in the specific case of a patent lawyer, that rule is pre-empted by the Supremacy Clause and 37 C.F.R. § 10, which deal with representation of others before the U.S. Patent and Trade Office ("USPTO").

The opinion cites to specific Code of Federal Regulations that regulate the practice of practitioners before the USPTO and that regulate the formation of partnerships and the sharing of fees between practitioners. These regulations permit the formation of partnerships and the sharing of fees between attorneys and patent agents to the extent the shared fees arise from the practice of patent, trademark, and other law before the USPTO. As a result, the opinion finds that 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 and trademark law before the UPSPTO.

Inspection and Comment

The proposed advisory opinion may be inspected at the office of the Virginia State Bar, 707 East Main Street, Suite 1500, Richmond, Virginia 23219-2800, between the hours of 9:00 a.m. and 4:30 p.m., Monday through Friday. Copies of the proposed advisory opinion can be obtained from the offices of the Virginia State Bar by contacting the Office of Ethics Counsel at (804) 775-0557, or can be found at the Virginia State Bar's Web site at http://www.vsb.org.

Any individual, business or other entity may file or submit written comments in support of, or in opposition to, the proposed advisory opinion by filing ten copies with Karen A. Gould, the Executive Director of the Virginia State Bar, not later than **April 14, 2008**.

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(DRAFT – February 1, 2008)

LEGAL ETHICS OPINION 1843
WHETHER A MEMBER OF THE VIRGINIA STATE BAR WHO PRACTICES PATENT LAW CAN BE A PARTNER WITH A NON-LAWYER 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 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 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.

Traditionally, a lawyer cannot form a partnership with a non-lawyer as per Rule 5.4(b)[1]; however, in the specific case of a patent lawyer, that rule is pre-empted by the Supremacy Clause[2] and 37 C.F.R. § 10, which deal with representation of others before the USPTO[3].

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.

FOOTNOTES

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.

The C.F.R. that regulates practice before the USPTO does not refer specifically to lawyers but to "practitioners" and 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, trademark, or other law before the USPTO.

And 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 patent agents to the extent the shared fees arise from the practice of patent, trademark, and other 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 and trademark law before the UPSPTO.

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

FOOTNOTES

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.