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March 10, 1988

Dr. Lowell T. Harmison
USET, Inc.
8000 Westpark Drive
McLean, Virginia 22102

Re: Marketing Patent and Copyright Expertise and Providing Engineering Services in Virginia

Dear Lowell:

Enclosed for your information are memoranda discussing the above two subjects in detail. Below is a nutshell explanation of each topic.

Essentially, the U.S. patent law and the regulations of the U.S. Patent and Trademark Office do not permit a corporation to employ or otherwise exercise control over attorneys (or patent agents) who are prosecuting applications for patents on inventions or registration of trademarks before the Office. USET, however, could provide advice to parties regarding technology and inventions, conduct surveys of prior art and trademark searches, prepare drafts of applications for patents and applications for registration of trademarks and drawings for each. These latter documents would have to be reviewed, revised as appropriate, and submitted to the Patent and Trademark Office by an indepenent patent or trademark practitioner who represents, and is paid by, the inventor or the trademark owner. USET could recommend to its clients qualified practioners with whom it is familiar; it cannot, however, employ attorneys or otherwise pay fees to, or receive fees from, attorneys to prosecute patent or trademark applications for its clients.

The Office of the Register of Copyrights has no restrictions regarding who may file an application to register a copyright or a right in a mask work for a semiconductor

chip. Registration of a copyright or a mask work is a simple procedure that does not involve an examination. There is no reason USET cannot prepare and file copyright and mask work registration applications for its clients, or simply supply the client with the appropriate forms and instructions.

With regard to engineering, Virginia requires that those who provide engineering services in the Commonwealth be licensed there. Since you are licensed in Maryland, which has the same qualifications as Virginia, it would not be difficult for you to obtain a license in Virginia. Virginia does require that corporations that provide engineering services in the Commonwealth be professional corporations with at least two thirds of the outstanding shares owned by engineers who are licensed in Virginia. The professional corporation must be licensed by the Virginia Board of Architects, Professional Engineers, Land Surveyors and Certified Landscape Architects. Unlicensed corporations may not use the term "engineering" in their names.

We have arranged for the incorporation and licensing of a professional engineering corporation in Virginia. If you need assistance in this area or have any questions regarding either of the two memoranda, please call me.

Sincerely,

Roger A. Klein

Enclosures

MEMORANDUM

TO: Roger A. Klein

FROM: Alice T. Zalik

DATE: February 24, 1988

RE: USET: Professional Engineering Services in Virginia

This memorandum outlines the requirements for a corporation to practice engineering in Virginia. I understand that the services would be provided by Dr. Lowell Harmison, who is licensed to practice engineering in Maryland.

Dr. Harmison can apply for an engineering license in Virginia by endorsement since he is already licensed in a jurisdiction with requirements that do not conflict with Virginia's and that do have similar standards of education and experience. Once Dr. Harmison is licensed in Virginia, he can provide engineering services in the state on a regular basis, signing all plans, drawings and specifications using his name and license number and his seal.

If USET wants to form a professional corporation in Virginia, it can do so by filing Articles of Incorporation with the Secretary of State for the Commonwealth of Virginia, along with the fee of ten dollars plus a tax based on the value of stock issued. The Articles must expressly provide that at least 2/3 of the total number of shares of stock outstanding at

any time must be owned by individuals licensed to practice engineering in Virginia, that cumulative voting is prohibited, and that unlicensed individuals will not have a voice or standing in any matter affecting the practice of engineering by the corporation. At least one director of the corporation must be licensed as an engineer in Virginia and must devote "substantially full time" to the corporation's business in order to ensure effective supervision of the services rendered. Performance of engineering services as a principal or employee of a professional service corporation does not limit an engineer's personal liability for the services provided, although the corporation may indemnify the engineer for judgments against him.

Once the professional service corporation is incorporated in Virginia, it must be registered with the Virginia State Board of Architects, Professional Engineers, Land Surveyors and Certified Landscape Architects before it can begin offering engineering services under its name. A copy of the corporation's charter, its Articles of Incorporation and Bylaws, including the limitations discussed above, notarized by the Secretary or Treasurer of the corporation must be submitted to the Board, along with a list of the shareholders and a list of the individuals, with their license numbers, who will be providing the engineering services. The Board requires between six to eight weeks to process and application for authorization.

When the professional corporation is authorized by the Board, it may use its name in the title block of any drawings, plans or specifications along with its number and seal. The licensed engineer in responsible charge of the project also must sign the documents. The corporation also can advertise its engineering services.

A.T.Z.

MEMORANDUM

TO: Roger A. Klein

FROM: Alice T. Zalik

DATE: February 29, 1988

RE: USET -- Marketing Patent and Copyright Expertise

This memorandum discusses U.S. and Virginia laws that would apply to the marketing of patent, copyright and trademark services, including legal representation before the U.S. Patent and Trademark Office and Office of the Register of Copyrights. The memorandum also outlines the regulations of the Patent and Trademark Office that would apply to the marketing of such services.

REQUIREMENTS TO PRACTICE BEFORE THE U.S. PATENT AND TRADEMARK OFFICE AND THE OFFICE OF THE REGISTER OF COPYRIGHTS

Section 33 of Title 35 of the United States Code provides for imposition of a fine of $1000 upon anyone who is not recognized by the Patent and Trademark Office but who holds himself out, or permits someone else to hold him out, as being able to practice before the Office or as qualified to prepare or prosecute patent applications. The Office's regulations provide that, to be registered to prosecute patent applications, an attorney or other person must have an undergraduate degree, or some equivalent experience, in

mathematics, physics, engineering, chemistry or biology and must pass an examination. (A patent attorney can represent a client in court and before other government agencies. A patent agent can represent a client only before the Patent and Trademark Office.) The Office assigns a registration number to each registered patent attorney or patent agent and that number must appear on all documents filed on behalf of a client. Trademark applications, on the other hand, can be prosecuted only by trademark owners or their attorneys. An attorney need not have passed an examination or be registered to represent a client in a trademark matter before the Office.

There are no regulations governing who may file copyright applications with the Register of Copyrights. Undoubtedly, this is because one does not need to register a work with the Register of Copyrights to have copyright protection and there is no "examination" of an application for registration of a work as there is of an application for a patent or for registration of a trademark. Most copyright owners fill in the simple form and pay the $10 fee themselves, following the directions supplied by the Register's Office.

Any firm that prosecutes patents before the Patent and Trademark Office, therefore, must be certain that the individuals performing the services are registered with the Office and that they comply with all of the ethical standards

established in the regulations. Those who prosecute trademark applications before the Office must be attorneys, but need not comply with additional requirements established by the Office. No specific qualifications must be met by those filing copyright applications on behalf of clients.

REGULATIONS OF THE PATENT AND TRADEMARK OFFICE

Advertising by Those Authorized to Practice Before the Office

Section 10.33 of Title 37 of the Code of Federal Regulations prohibits "a practitioner," i.e., one who prosecutes patent and trademark applications before the Office, from soliciting professional employment "for pecuniary gain," directly from anyone not a relative or an existing client, "under circumstances evidencing undue influence, intimidation, or overreaching." This regulation does not prohibit the use of circulars or other advertising distributed generally to persons who might find such services useful, as, for example, those attending a science show or those who subscribe to a science magazine, but requires great care when sending letters or circulars directly to individuals known to be carrying out a particular research project. The Patent and Trademark Office would regard a direct approach to a neophyte inventor as a violation of the regulation, but not a direct approach to an inventor who already has several patents. The Office of

Enrollment and Discipline makes its determinations case-by-case.

The regulations prohibit a practitioner from giving anything of value to other persons for recommending the practitioner's services, except that a practitioner can pay a fee to advertising agencies and carriers or not-for-profit lawyer referral services. Examples of acceptable general advertising media are telephone directories, legal directories, newspapers, magazines, newsletters, radio and television. In any advertising, direct or general, the name of at least one practitioner responsible for the content must be listed.

Formation of Partnerships or Professional Corporations

Section 10.35(b) allows a practitioner to state or imply that he practices in a partnership or other organization when that is true. Section 10.48 prohibits a practitioner or a firm of practitioners from sharing legal fees with a non-practitioner, except in particular circumstances not present here. Section 10.49 prohibits a practitioner from forming a partnership with a non-practitioner if any of the activities of the partnership consists of the practice of patent, trademark, or other law before the Office. (The latter section applies to patent agents, but not to patent attorneys, since any duly licensed attorney can practice trademark law

before the Office and, therefore, could not be considered a non-practitioner.)

Section 10.68(a) prohibits a practitioner, except with full disclosure to the client, from accepting compensation from someone other than the client for the services performed for the client or from accepting any thing of value related to the practitioner's representation of or employment by the client. Subsection (b) prohibits the practitioner from allowing anyone who recommends, employs, or pays the practitioner to render legal services for a third party to influence the practitioner's judgment regarding those services. And subsection (c) prohibits a practitioner from practicing with or in the form of a professional corporation if any non-practitioner has control over the practitioner in the exercise of the latter's professional judgment.

These provisions prohibit ownership of a professional corporation offering patent and trademark services by anyone other that patent and trademark practitioners. The regulations are intended to ensure that practitioners represent only the interests of their clients, the inventors and trademark owners, and that they cannot be influenced in any way by third parties. The regulations also are intended to prevent an employee of a company that is not the owner of an invention from prosecuting the patent application for that invention. A

practitioner who worked for a company would not be viewed as independent of the company for which he worked and, therefore, his employment would be a conflict of interest.

VIRGINIA LAW GOVERNING PATENT, COPYRIGHT AND TRADEMARK PRACTICE

Who May Practice Law in Virginia

Section 54-42 of the Code of Virginia authorizes only those who are duly licensed by the state to practice law "in this state." Practice before the Patent and Trademark Office or before the Office of the Register of Copyrights does not constitute practicing law in Virginia since even non-lawyers can prosecute patent, trademark and copyright applications. Nonetheless, section 54-42.1 of the Code allows non-resident lawyers who practice before either Office to be admitted to the Virginia State Bar for the limited purpose of practicing patent, trademark and copyright law. Those who avail themselves of this provision may not hold themselves out as being authorized to practice law in Virginia generally. The law would appear to have been enacted to raise revenue, since an annual fee was charged. The fee was eliminated in 1983. The Bar may wish to retain the provision in order to give the impression that one must be a member of the Virginia State Bar to practice before the Patent and Trademark Office since it is located in Virginia. There is no requirement, however, that a

lawyer be a member of the Virginia State Bar in order to practice before the Patent and Trademark Office or before the Office of the Register of Copyrights.

Advertising

Sections 54-78 through 54-83.1 of the Code prohibit attorneys from soliciting professional employment directly or through another. Advertising in such things as telephone directories or professional directories and the like, is permissible. While different states impose different standards, most prohibit so-called "ambulance chasing," i.e., direct solicitation of business from individuals who are not in a position to make a reasoned choice.

Formation of a Professional Corporation

Under Virginia law, professional corporations can be licensed to practice law generally and must be so licensed before rendering any professional services. Shareholders in a professional corporation in Virginia rendering legal services, including patent prosecution services, must be licensed to practice law in Virginia or some other jurisdiction. The name of a professional corporation can include the designation P.C. or "Professional Corporation" but the designation is not required. If the designation P.C. or "Professional

Corporation" is not used, the name must include the term "corporation," "incorporated," "company" or "limited" or the appropriate abbreviation for one such term.

The remainder of the requirements for formation of a professional corporation are the same as those for formation of a regular corporation under Virginia law with a few critical exceptions. Non-licensed individuals may not own stock in a professional corporation that provides legal services. All Directors of a professional corporation offering legal services must be licensed to practice law. These exceptions, coupled with the Patent and Trademark Office's prohibition against sharing legal fees with non-practitioners, would prevent any payment arrangement between a professional corporation offering patent and trademark prosecution services and a non-practitioner or an outside organization.

MARKETING PATENT AND TRADEMARK EXPERTISE

Limitations on Marketing Methods

A professional service corporation offering patent and trademark prosecution services would be able to place advertisements in telephone directories, professional directories, magazines and newspapers the readership of which would include those with an interest in technology. Soliciting business directly from individuals would be inconsistent with the law governing solicitations in Virginia which is more

strict than the regulations of the Patent and Trademark Office. Violating either the regulations or the law can result in disciplinary action, including the suspension or revocation of an attorney or a professional corporation's registration or license.

No other person or organization would be permitted, for a fee or other consideration, to solicit business for a patent attorney or firm or to advertise the availability of patent prosecution services with the intent of referring potential clients to a particular attorney or firm. Violation of either the Patent and Trademark Office's regulations or the law of Virginia in this regard also can result in suspension or revocation of an attorney or a professional service corporation's registration or license.

CONCLUSION

The only way in which a corporation, not itself a professional corporation owned by licensed, registered practitioners, can provide for the prosecution of patents is if the invention which is the subject of a patent application belongs to the corporation. Under U.S. patent law, that would require that the corporation be the employer of the inventor at the time the invention was made. It would seen, then, that the most appropriate arrangement between USET and the inventor of a

marketable product would be for USET to provide the inventor with a names of several competent patent firms or attorneys from which the inventor could select a representative. USET might provide money to the inventor to pay for prosecution of a patent application for the invention in exchange for either assignment of the rights to the invention or an exclusive license with a provision allowing USET to sublicense. USET also could provide search services that would determine prior art related to the invention, so long as it did not give legal advice on the patentability of the invention in light of the prior art.

If USET is acquiring an unregistered trademark as part of a business, USET's own attorney or one of its choice can prosecute a trademark application. In other cases, USET could arrange for trademark searches or could set up a company that performs trademark searches and scans the Official Journal, state trademark and corporate registration filings, and telephone directories for marks similar to those of clients. Conducting trademark searches is not regarded as practicing befor the Patent and Trademark Office. Such a corporation also might assist businesses in devising trademarks and in obtaining drawings of their mark suitable for submission with a trademark application.

As mentioned before, a copyright application need not be filed by an attorney since there is not "prosecution"

involved in registering a copyright. There would be no prohibition against a corporation filing applications on behalf of copyright owners, but advertising would have to be carefully worded and fees made reasonable in order to avoid running afoul of state and federal consumer protection and unfair trade practice laws.