Commissioner of Patents and Trademarks
Patent and Trademark Office (P.T.O.)

IN RE REFUSAL OF ASSIGNMENT BRANCH TO RECORD ATTORNEY'S LIEN
July 26, 1988

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ON PETITION

***1** This is a decision on petition, filed April 11, 1988, requesting exercise of the supervisory authority of the Commissioner to direct Assignment Branch to record an attorney's lien.

The petition is denied.

Petitioner, on January 14, 1988, filed a request with the Assignment Branch to record an attorney's lien of $13,974.64 against one (1) patent application. Assignment Branch has refused to record attorney's liens. Petitioner asserts that attorney's liens are recordable pursuant to 37 C.F.R. 1.331.

PAST AND PRESENT RULES

There have been rules concerning the recording of interests in patents or patent applications since at least 1836. As time passes and responsible officials change, the rules get changed sporadically.

In 1878, Rule 99, one of the rules regarding recordation of assignments and other papers, read:

> Letters, copies of assignments, or ex parte statements in relation to assignments are not proper matter for record. (Emphasis added.)

The Rules of Practice were changed in the following year and what had been Rule 99 was transformed into Rule 204 reading:

> No instrument will be recorded which does not, in the judgment of the commissioner [sic], amount to an assignment, grant, mortgage, lien, incumbrance, or license, or affect the title of the patent or invention to which it relates. (Emphasis added.)

This was the first time that "lien" appeared in the rules of practice, but, unfortunately, the rules document did not contain any explanation of what was meant or intended by "lien." No counterpart to the Federal Register existed at the time and all we have to consult for "legislative history" is the comment of Commissioner Paine that the

revised rules in 1879 were "designed to be in strict accordance with the revised statutes relating to the grant of patents for invention." [FN1] The present rules (codified in 37 C.F.R.) contain a counterpart to the "lien" rule. Today's "rule" is 37 C.F.R. 1.331(b) stating:

No instrument will be recorded which is not in the English language and which does not amount to anassignment, grant, mortgage, lien, incumbrance, or license, or which does not affect the title of the patent or invention to which it relates, and which does not identify the patent or application to which it relates, except as ordered by the Commissioner.

CASE PRECEDENT

On February 25, 1905, Commissioner Allen ruled in In re Clark, 1905 C.D. 77, that an attorney's lien in relation to a patent matter should not be recorded as:

"It is not thought that this rule [the 1904 version of 37 C.F.R. 1.331(b); see below] was ever meant to permit the recording of such instruments as the present one, which is a mere ex parte affidavit that the inventor is indebted to him for services rendered. To permit such ex parte affidavits to be recorded might quickly become the means of harassing inventors by casting unjust clouds upon their titles. It has not been the practice to record such instruments and no reason is seen now for instituting such practice.

***2** It is held that the word 'lien' in Rule 198 does not refer to an ex parte statement or affidavit by the beneficiary under the alleged lien." (Emphasis added.)

Rule 198, in effect at the time of Commissioner Allen's ruling, read:

No instruments will be recorded which is not in the English language and which does not, in the judgment of the Commissioner, amount to an assignment, grant, mortgage, lien, incumbrance, or license, or which does not affect the title of the patent or invention to which it relates. Such instrument should identify the patent by date and number; or, if the invention be unpatented, the name of the inventor, the serial number, and date of the application should be stated.

There is a close relationship between the language of Rule 198 and present- day 37 C.F.R. 1.331(b). Because such a close language relationship exists between Rule 198 and 37 C.F.R. 1.331(b), the policy declared by Commissioner Allen in In re Clark, supra, is applicable today, absent a change in policy or law.

ATTORNEY'S LIENS

There are two types of attorney's liens--the retaining lien and the charging lien. A retaining lien applies to documents belonging to a client in the possession of the attorney who has an equitable right to retain those documents until the client has paid the attorney for his services (which may be for matters in addition to those that gave rise to the possession of the particular documents). A charging lien arises from a litigable matter wherein the attorney is authorized by the

client to institute legal proceedings on the client's behalf and applies only to the proceeds coming about from a judgment in that litigation. It is apparent that the attorney's lien sought to be recorded is a retaining lien and is not a charging lien.

Over 250 years ago, Lord Chancellor Talbot commented in Ex parte Bush, 7 Viner's Abr. (1734),

> The attorney hath a lien upon the papers in the same manner against assignees as against the bankrupt, and though it does not arise by an express contract or agreement, yet it is as effectual, being an implied contract by law.

We are told that "[t]he common-law retaining lien is a passive lien which cannot accurately be enforced through legal proceedings but rest wholly upon the right to retain possession until the bill is paid. Brauer v. Hotel Associates, Inc., 40 NJ 415, 192 A2d 831" in 7 AmJur2d, Attorney at Law § 315, footnote 42 (1980). In the main text of § 315, it is stated:

> An attorney's general or retaining lien has its roots in the common law, is founded on general principles of justice, does not depend on an express agreement, and is effectuated through the exercise of the inherent power of the courts over the relationship between attorneys and their clients. (footnote omitted.)

The Second Circuit stated in Everett, Clarke & Benedict v. Alpha Portland Cement Co., 225 F. 931 (2d Cir.1915):

> ***3** An attorney's general or retaining lien is a common-law lien, which has its origins in the inherent power of courts over the relations between attorneys and their clients. The power which the courts have summarily to enforce the performance by the attorney of his duties toward his client enables the court to protect the rights of the attorney as against the client. The lien is one which the courts have long recognized as protected.

In the same case, the court observed also that:

> The lien on the papers is a mere passive lien, without any right to actively enforce it. It is a mere right to retain.

225 F. at 937.

Moreover, "[a] retaining lien is complete and effective without notice to anyone. (footnote omitted.)." 7A C.J.S. Attorney and Client § 366 (1980). And, "[g]enerally a retaining lien cannot be actively enforced, although, under some circumstances, such liens may be enforced as an incident to a proceeding brought for another purpose." 7A C.J.S. Attorney and Client § 390 (1980).

"A retaining lien cannot be actively enforced except as an incident to a proceeding brought for another purpose. (footnote citing C.J.S.)." De La Paz v. Coastal Petroleum Transport Co., 136 F.Supp. 928, 930 (S.D.N.Y.1955).

Since a retaining lien never affects the right of ownership--but only the right of possession--a retaining lien is an insufficient interest in a patent or application to warrant recordation. The retaining lien exists regardless of recordation and stays in place until discharged. An attorney's lien (a retaining lien) cannot "affect the title of the

patent or invention to which it relates." Moreover, "notice is not required to protect the [retaining] lien against assignment by the client or attachment by the client's creditors. (Footnote omitted.)" 7 AmJur2d, Attorneys at Law § 319 (1980). There is no reason to record such a lien.

CONCLUSION

Accordingly, no error is seen to exist in the action of Assignment Branch in denying recordation of the attorney's lien.

The attorney's lien submitted for recording is being returned herewith.

Attachment: Attorney's Lien

FN1. Note both the disjunctive nature and the discretionary nature of the rule. With respect to the latter, the Commissioner may adjudge if an instrument is proper for recording. With respect to the former, the instrument has to either (1) amount to an assignment, grant, mortgage, lien, incumbrance, or license or (2) affect the title of the patent or invention to which it relates. Perhaps the "or" before "license" in the rule was merely intended to emphasize the alternative nature of the documents available for recordation.

8 U.S.P.Q.2d 1446

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