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HOW TO BUILD IPR-FOCUSED ENTREPRENEURIAL LAW AND BUSINESS CLINICS TO ASSIST
REGIONAL ECONOMIC DEVELOPMENT AROUND THE GLOBE



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Sean M. O'Connor¹

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¹ Associate Professor and Founding Director, Entrepreneurial Law Clinic, University of Washington School of Law; Associate Director, Center for Advanced Studies and Research on Intellectual Property (CASRIP).

OVERVIEW

Great ideas do not solve problems by themselves. They must be refined and applied to specific problems by skilled human activities. Indeed, great ideas are often new approaches or methods that can *potentially* be applied to solve many different problems. The solution to a specific problem is often quite fact and context specific. Thus *translational* activities that use new approaches or methods to create fact and context specific solutions for real world problems are critical. The *execution* or *delivery* of the developed applications to end users to actually satisfy a need completes the cycle by *actualizing* the *potential* of the great idea. While this cycle can occur – in part or in total – through government or other public mechanisms, it is most frequently accomplished in the industrialized capitalist West by different strains of private sector entrepreneurs.

Thus, like the raw talent athlete who never meets her full potential because she has not worked with a skilled coach, both first time entrepreneurs and their ideas may fail to flourish without proper professional guidance. This includes input from across a wide range of professional services such as law, accounting, management consulting, and branding. In fact, in the social entrepreneurship environment, access to those possessing these skills may be “more important than money.”² Thus, even when there is funding for economic development or health programs in developing countries, the lack of professional law, finance, and management personnel to administer the programs may stymie their success. So too, in disadvantaged or struggling communities across the United States, the need for high quality professional services to guide economic development and other social programs can be acute. At the same time, the targets of economic development programs – local businesses and entrepreneurs – are as much in need of access to quality professional advice as the programs themselves. Likewise, technology transfer efforts to translate academic and non-profit research into commercializable goods or services relies heavily on guidance from professional services providers. Accordingly, three key areas of entrepreneurship – social, for-profit, and tech transfer – are reliant on access to quality professional services.

The skills within the professional services are constantly undergoing innovation as well. Thus there is a need for ongoing research and development of *methods* employed by these professional services. Complementing any focus on methods should be, of course, ongoing analysis of background laws, regulations, and factual data that provide a substantial part of the framework within which the professional methods will be applied. These methods and background framework conditions are relevant for use by professionals in guiding both translational activities aimed at creating applications of new ideas and execution of business models to actually deliver goods or services embodying these applications. Reflexively, this cycle of idea-application-execution equally applies to innovation in the professional services themselves. Therefore, any program or center that can serve as a hub for research and development of professional services can help ensure that professional service providers in the community are up to date on the latest methods and knowledge in their fields.

² Josh Ruxin, *Filling a Need Greater Than Money*, NY TIMES BLOG (September 7, 2007) (guest blogger on Nicholas Kristof’s blog) available at <http://kristof.blogs.nytimes.com/>.

The foregoing needs are driving a movement in the United States for clinics and research centers in professional schools within universities (e.g., law, business, engineering, and medical schools) that provide professional services and/or research activities for the fields of social, for-profit, and tech transfer entrepreneurship. While many kinds of professional methods and knowledge are appropriately included within the scope of these clinics and centers, the field of IPR (including procurement, management, and enforcement, as defined below) is certainly one of the cornerstone areas of competency. Because this Report has been prepared for the International Intellectual Property Institute (IIPI)³ as part of its “How To” guide series, it limits its focus to IPR services and research in these clinics and centers.

This Report proceeds in three parts. The first sketches the rationale for facilitating entrepreneurship through IPR and entrepreneurship clinics as an engine of economic development that also furthers social justice. The second details the pioneering structure and services of the Entrepreneurial Law Clinic (ELC) at the University of Washington in Seattle that responds to many of the needs articulated above. The third then shows how the model of the ELC, combined with features of other clinics and centers planned or operational around the U.S., could be exported to developing countries or communities to enable locally controlled and beneficial entrepreneurship that promotes social justice in those communities.

PART I: FACILITATING ECONOMIC DEVELOPMENT THROUGH ENTREPRENEURSHIP AS A FORM OF SOCIAL JUSTICE

There are many ways to promote economic development in a region. Some rely on foreign corporations or sovereigns to control the extraction and processing of local natural resources. Others rely again on these foreign entities, but instead to direct the activities of local workers, artisans and/or professionals. All of these foreign controlled means of economic development risk creating, or perpetuating, economic colonialism, especially where the foreign controlling entity is from the developed North or West and the region being “developed” is in the undeveloped South or East. A categorically different set of means to pursue economic development is characterized by local or regional control of the means of production. This set includes models of control by government or public institutions as well as control by private sector firms or entrepreneurs. Local or regional control models can help keep the focus on accruing the benefits of economic development for the community’s benefit.

This Report is not a polemic against globalization or foreign investment, however. The debates over globalization and pros and cons of foreign investment are well beyond the scope of this project. Instead, a fundamental premise of this Report is simply that robust locally controlled entrepreneurship can be a vital hedge against the creation or perpetuation of economic colonialism. Ideally, a combination of foreign and local business structures could be encouraged to allow the community to benefit from the

³ [Http://www.iipi.org](http://www.iipi.org).

positive aspects of each. Indeed, in the developing world many social entrepreneurship programs are controlled or led by foreign organizations. Thus any simplistic view that local=good, foreign=bad is unhelpful.

Neither does this Report focus on the debates over whether strong or weak IPR regimes are better or worse for developing economies. Rather than wading into that ongoing controversy, this project seeks to help policy makers and relevant professionals understand how to create clinics and centers that can enable local entrepreneurs to maximize their ability to successfully negotiate the local IPR regime, whatever form it takes. Indeed, as will be demonstrated below, for entrepreneurs the contours of local *contract* and *basic property* law are arguably as critical as the contours of local IPR. Thus, IPR and entrepreneurship clinics and centers need to focus on the larger legal environment in which IPR rights can be created, owned, transferred, exploited, and enforced.



Healing Mandala © istockphoto / Sloba Mitic, 2007

As an illustration of the foregoing, an Indian researcher on a panel with me at a conference on *India and the New Global IPR Regime* at Mahatma Gandhi University in India argued passionately that Indian researchers should spend less time bemoaning “biopiracy” by Western pharmaceutical companies and more time on translational research with traditional Indian healing arts such that they – rather than Westerners – could own and control any IPR derived from the traditional practices. To put a finer point on it, entrepreneurship is best served when entrepreneurs clearly understand the legal and business environment that they will operate in and can thus see opportunities created by that environment. Strong IPR regimes may be more conducive to certain kinds of industries and entrepreneurship, while weak IPR regimes may be more conducive to other kinds.⁴

⁴ See, e.g., Petra Moser, *How Do Patent Laws Influence Innovation? Evidence from Nineteenth Century World's Fairs*, AM. ECON. REV. (September 2005).

The more important background questions for this Report, then, are: 1) whether promotion of entrepreneurship is indeed a useful economic development policy; and 2) if so, whether IPR clinics and centers can help promote entrepreneurship. Intertwined with these questions is the premise that locally controlled ventures can be a useful hedge against foreign economic colonialism.

The answer to the first question seems to be a resounding “yes.” The Center for Economic Development at Cleveland State University issued a study in 2002 evaluating various economic development programs across the U.S. over a fifteen year period.⁵ The most successful programs were those that focused on promoting entrepreneurship, primarily because they performed the best at creating and retaining jobs over the long term in the local community. By contrast, programs focusing primarily on job training had at best ephemeral short-term effects. The likely reason for this is that accessible jobs must exist in the community in the first place for job training programs to be effective. The entrepreneurship focused programs thus focused on the threshold issue – the availability of jobs – which could then allow secondary programs such as job or skills training sessions to have an impact. Further, by fostering local entrepreneurial ventures, the entrepreneurship programs were more likely to help create an employment environment in which jobs were local and accessible to community workers, rather than forcing them to chase jobs either already outside of the area, or that might “relocate” at the whims of a non-local employer. Underscoring the importance of the promotion of entrepreneurship as a primary focus of economic development, small businesses: 1) comprise the overwhelming majority of firms in the U.S. (97.5% of the 26 million firms in the U.S. have 20 employees or fewer); 2) create the vast majority of new jobs (60% - 80% of net new jobs in the 1995-2005 period); and 3) contribute half of the non-farm real gross domestic product.⁶

The answer to the second question is not directly answerable because of the paucity of IPR clinics and centers focused on entrepreneurship and economic development. As will be discussed further in Part II below, IPR clinics are relatively new overall, and many of the ones that do exist focus on litigation in the public interest rather than on counseling entrepreneurs. However, data does exist as to the benefits of microenterprise⁷ training programs. Microentrepreneurs who received training in business planning and management appear to have greater business creation, survival, and growth rates, as well as garner better increases in incomes, over their peers who receive no such training.⁸ The central theme of research on these microentrepreneurs is that they generally have a particular skill or craft that they could form a microenterprise around, but very little knowledge about even business management, much less other professional services such

⁵ Ziona Austrian and Jill Norton. *What Works in Economic Development Practice? An Evaluation of Strategies and Tools* (Cleveland State University: The Center for Economic Development, August 2002) available at http://urban.csuohio.edu/economicdevelopment/knight/what_works_final.pdf.

⁶ Small Business Agency, *The Small Business Economy For Data Year 2005* (December 2006) available at http://www.sba.gov/advo/research/sb_econ2006.pdf.

⁷ Generally defined as businesses with 5 or fewer employees.

⁸ See Elaine L. Edgcomb and Joyce A. Klein, *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States* 55-77 (FIELD, Aspen Institute 2005) available at <http://www.fieldus.org/Publications/FulfillingthePromise.pdf>.

as law or accounting. At the same time, because the target candidates for these programs are supposed to have low-income or be hampered by other significant disadvantages, microenterprise programs also focus on facilitating appropriate credit lines for these individuals. Accordingly, these twin pillars – basic business start-up training and access to legitimate credit sources – constitute the majority of microenterprise programs and services. As beneficial as it has been so far, researchers within the microenterprise service industry freely admit that the programs need to show both a much better ability to scale up their operations to serve more microentrepreneurs and expand their training to more sophisticated and more tailored business management topics.⁹

The microenterprise service industry is itself a kind of niche within the larger small business service industry. Because many small businesses are started by entrepreneurs with at least some financial means, however, these individuals are better able to access both financial services and business training programs. Indeed, American Express’ “OPEN” program, for example, specifically targets small to medium size enterprises (SMEs).¹⁰ Nonetheless, it is instructive to note that the U.S. Small Business Administration (SBA)¹¹ was established by the Small Business Act of 1953 to “aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns,”¹² with no clear limitation on the income or wealth status of the small business owner. Like the niche microenterprise service industry, the SBA’s two main missions have been to facilitate small business financing (both debt and equity) and provide business training and resources. The bulk of its training and resources mission is accomplished through its website, publications, regional offices, and support for the SCORE program¹³ that links experienced business executives with first time entrepreneurs. As part of its training and resources mission, the SBA has detailed sections of its website to acquaint small business owners with how to handle general legal matters¹⁴ as well as IPR issues.¹⁵ For that matter, the website for the U.S. Patent and Trademark Office (USPTO) has specific sections for individual inventors,¹⁶ who, presumably, will also be thinking about how to commercialize their inventions, as well as business owners and individuals who are aware of the possibility of using trademarks to protect their branding efforts,¹⁷ and even copyrights.¹⁸ Of course, the U.S. Copyright Office also has its own primer for authors who are interested in how copyright protection, but this is less focused on business owners.¹⁹

When one considers that IPR is a highly specialized practice area, yet touches *every* business in some form, then it becomes clear that access to quality IPR counselors is also

⁹ *Id* at 79-106.

¹⁰ <https://home.americanexpress.com/home/open.shtml>.

¹¹ <http://www.sba.gov>.

¹² 67 Stat. 232.

¹³ <http://www.score.org/>.

¹⁴ <http://www.sba.gov/smallbusinessplanner/manage/handlelegalconcerns/index.html>.

¹⁵ <http://www.sba.gov/smallbusinessplanner/start/protectyourideas/index.html>.

¹⁶ <http://www.uspto.gov/web/offices/com/iip/index.htm>.

¹⁷ <http://www.uspto.gov/web/trademarks/workflow/start.htm>.

¹⁸ <http://www.uspto.gov/main/profiles/copyright.htm>.

¹⁹ <http://www.copyright.gov/circs/circ1.html>.

an access to justice issue. As large corporations and wealthy individuals increasingly command the exclusive attention of marquee law firms – primarily because they are the only ones who can afford to pay the firms’ billable hour rates²⁰ – there has been a countervailing “access to justice” movement that seeks to ensure that people of low or even average means can also access affordable, quality legal representation.²¹ The more dramatic aspects of the access to justice issue involve criminal proceedings where defendants are charged with capital crimes and may face the death penalty, yet cannot afford counsel. Of course, in the U.S. those sorts of defendants may be assigned a court appointed lawyer based on the constitutional right to counsel in such circumstances. While legitimate questions arise about the quality and/or commitment of counsel in this situation, there is at least some legal counsel available to the defendant. Clearly, more can be done – without of course impugning the reputations or work of the countless number of public defenders and court appointed counsel who have given exemplary representation to their indigent clients. Thus, because of the high profile nature of what is at stake, a number of organizations have been created specifically to help indigent criminal defendants (and even convicts who want to appeal their cases).²²

Yet, it would be a mistake to think that access to justice begins and ends with these most dramatic cases. Instead, low income or traditionally underrepresented individuals also need to be able to bring civil lawsuits to protect their rights and redress harms caused them. This is especially true where their adversaries are large corporations with deep pockets who can spend enormous amount on legal fees to pursue every possible avenue to stymie the would-be plaintiff’s quest for justice. Accordingly, both public advocacy groups and legal *pro bono* public service obligations seek to give a voice to these underrepresented individuals by giving low or no-cost representation to them. Some of the most high profile public advocacy groups in this regard are environmental law²³ and privacy law based.²⁴ On a broader base, attorney licensing boards and professional groups have long recognized a need for, and an obligation on, attorneys to represent not only those clients who can afford their legal fees, but also those who cannot.²⁵ In a

²⁰ When even Wal-Mart begins balking at law firm billable hour rates, then it is clear that ordinary people have no chance of affording those kinds of fees. See Debra Cassess Weiss, *Wal-Mart Refuses Law Firm Fee Hikes, Cites High Associate Salaries*, ABA JOURNAL (November 5, 2007) available at http://www.abajournal.com/news/wal_mart_refuses_law_firm_fee_hikes_cites_high_associate_salaries/.

²¹ See, e.g., Washington State Access to Justice Board available at <http://www.wsba.org/atj/>; Brennan Center for Justice (at NYU School of Law), *Access to Justice*, available at http://www.brennancenter.org/subpage.asp?key=40&proj_key=135; American Constitution Society for Law and Policy, *Access to Justice*, available at <http://www.acslaw.org/c21/accesstojustice>; ACJNet Canada, Access to Justice Network, available at <http://www.acjnet.org/nahome/default.aspx>; Access to Justice Alliance (U.K.), A Right to Justice, available at <http://www.accesstojusticealliance.org.uk/index.htm>.

²² See, e.g., The Innocence Project, Innocence Project, available at <http://www.innocenceproject.org/>; IPNW, Innocence Project Northwest, available at <http://www.law.washington.edu/ipnw/>.

²³ See, e.g., NRDC, National Resources Defense Council, available at <http://www.nrdc.org/>; EDC, Environmental Defense – Finding the Ways that Work, available at <http://www.edf.org/home.cfm>; Earthjustice, Earthjustice Legal Defense Fund, available at <http://www.earthjustice.org/>.

²⁴ See, e.g., EPIC, Electronic Privacy Information Center, available at <http://www.epic.org/>; EFF, Electronic Frontier Foundation, available at <http://www.eff.org/>.

²⁵ See, e.g., American Bar Association, Standing Committee on Pro Bono & Public Service and Center for Pro Bono, available at <http://www.abanet.org/legalservices/probono/committeefinfo.html#cpbinfo>;

professional world of higher and higher billable hour requirements and their resultant time crisis, though, many attorneys find that adding *pro bono* work on top of an already impossible life-work balance can be the last straw that breaks the camel's back. The upshot is that *pro bono* opportunities or matters that are not manageable and closely tailored to an attorney's area of expertise may well fall by the wayside.

Accordingly, specialized non-profit organizations have been created to assist lawyers find relevant projects when their practice areas fall outside of those used in the traditional high profile *pro bono* cases. For example, both Volunteer Lawyers for the Arts in New York City and Washington Lawyers for the Arts in Seattle seek to match up attorneys with experience in art law and other legal areas affecting artists with artists who are not able to afford such specialized services.²⁶ Both of these organizations also add the critical dimension of *counseling* and *transactional* legal services that often are absent in the classic perception of *pro bono* legal services. Thus, the current landscape of *pro bono* activities in the U.S. is hardly limited to representation of indigent suspects or convicts on their way to, or already on, death row. In a related twist, non-profit organizations themselves are increasingly the recipient of *pro bono* legal services. This niche then raises the question of whose income is assessed when determining whether the prospective client is deserving of *pro bono* services. Any number of individuals who work at, manage, or direct a non-profit may have decent middle class, or even upper class, incomes or assets. However, such *personal* incomes or assets do not necessarily accrue to the non-profit – unless the individual is exceedingly generous and has agreed to bankroll the non-profit. In fact, the individual may already be generously donating time or money (even perhaps measured as accepting a salary below her fair market value), and yet the organization is still under funded and, relatively speaking, poor. That non-profit is very much deserving of *pro bono* services, as it cannot afford necessary legal services. Even relatively better off non-profits may be deemed deserving of *pro bono* legal services to the extent that they are engaged in charitable works and each dollar spent on legal services would be a dollar less that could be spent on those good works. Thus, only the most well-funded non-profits – essentially ones with substantial endowments such as corporate or private foundations,²⁷ or those with substantial positive or excess revenue flows²⁸ – should be seen as falling outside the scope of *pro bono* eligibility.

Of course, to say that an individual or organization falls outside of *pro bono* eligibility does not mean that a lawyer or firm cannot choose to provide reduced fee or even free legal services to that person/organization. For example, lawyers and their firms routinely engage in alternative fee arrangements for purposes of client development. Thus, determining whether something falls within the scope of *pro bono* eligibility really only

Washington State Bar Association, Rule 6.1: *Pro Bono Publico Service*, available at http://www.wsba.org/lawyers/groups/ethics2003/6.1_comment.htm; State Bar of California, *Pro Bono Resolution*, available at <http://calbar.ca.gov/calbar/pdfs/accessjustice/2003-Pro-Bono-Res.pdf>; New York State Unified Court System, *Pro Bono Resolution of the Administrative Board of the Courts*, available at <http://www.courts.state.ny.us/attorneys/probono/Resolution.shtml>.

²⁶ Volunteer Lawyers for the Arts, available at <http://www.vlany.org/>; Washington Lawyers for the Arts, available at <http://www.wa-artlaw.org/>.

²⁷ E.g., The Bill and Melinda Gates Foundation, available at <http://www.gatesfoundation.org/default.htm>.

²⁸ E.g., Educational Testing Service (ETS), available at <http://www.ets.org>.

matters for purposes of the lawyer or firm: 1) determining whether they meet their professional obligations as attorneys; 2) signaling to outside constituents that they are in compliance with these obligations; or 3) exemplifying their commitment to be good citizens of their community.²⁹ As a purely personal or internal matter, lawyers and firms can thus simply decide how to allocate their time and resources and satisfy themselves whether they are living up to professional and personal ethical obligations, regardless of what they label the hours they spend on each matter. While only a few state attorney licensing authorities require mandatory reporting of *pro bono* hours, there are voluntary programs that lawyers or their firms can enroll in to formally demonstrate their commitment to *pro bono*. Probably the most well known in the U.S. is the Pro Bono Institute's Law Firm Pro Bono Challenge.³⁰ This project is limited to firms of 50 or more lawyers, although it also now has a companion project, the Corporate Pro Bono Challenge, which would apply to in-house corporate counsel.³¹



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To the extent that a lawyer or firm does want to count hours of legal services to an organization for which no compensation is sought as *pro bono* in accordance with a formal definition,³² the test then is not a categorical one based on the for-profit or non-

²⁹ No state attorney licensing authority in the U.S. currently provides for any disciplinary actions against any attorneys who fail to meet the *pro bono* requirements set out by that licensing authority. See ABA, State-By-State Pro Bono Service Rules, available at <http://www.abanet.org/legalservices/probono/stateethicsrules.html>. At the same time, some states have mandatory *pro bono* reporting requirements. See ABA, Overview of State Pro Bono Reporting Policies, available at <http://www.abanet.org/legalservices/probono/reporting.html>.

³⁰ Pro Bono Institute, Law Firm Pro Bono Challenge, available at <http://www.probonoinst.org/challenge.php>. The Challenge is sometimes incorrectly referred to as the “ABA Law Firm Pro Bono Challenge” because the project was initially housed at the ABA. See Pro Bono Institute, *Clarifying the Law Firm Pro Bono Challenge*, THE PRO BONO WIRE (April 2007) available at <http://www.probonoinst.org/wire/eap074.pdf>.

³¹ Corporate Pro Bono, The Corporate Pro Bono Challenge, available at <http://www.cpbo.org/challenge/>.

³² There is some debate as to whether attorneys fees awarded in court actions can be accepted by the attorneys who want to count their hours on the matter as *pro bono*. Less controversially, attorneys working on a *pro bono* basis should be able to require reimbursement for legitimate out-of-pocket costs such as court filing fees.

profit status of the organization, but rather whether individuals of “limited means” are assisted by the legal services and/or whether important civil or human rights are advanced by the work. This is in large part a reflection of the blurring of the line between for-profit and non-profit companies, particularly in the new age of “social entrepreneurship.” For example, large well-endowed private foundations or high revenue non-profit organizations are likely far more able to afford high quality legal representation than a low income individual in a disadvantaged community who is trying to set up a small for-profit business to escape poverty, dead end minimum wage jobs, or, in many cases, no viable legal job opportunities at all. At the same time, legal services provided to reasonably well-funded non-profits may still count as *pro bono* if the primary purpose of the non-profit is charitable (such as religious, educational) and targets low income individuals as the main beneficiaries of its activities.

So far, then, this Part has considered evidence that: i) low or no cost legal services to entrepreneurs and non-profits that serve them might demonstrably assist in broad based economic development; and ii) such services may simply be part of what is required to fulfill society’s, and the legal profession’s, obligations to provide meaningful access to justice across a broad spectrum of needs. The third piece of the puzzle supporting a call for IPR & entrepreneurship counseling and transactional clinics is the continued emphasis on leveraging a region’s research institutions as an engine for desirable high tech economic development. At one level, research institutions such as universities are part of economic development strategies simply because they can be extremely large organizations, employing thousands of staff and faculty in relatively high paying jobs. In some metropolitan areas, research universities can be the largest employer, effectively supporting the community directly through jobs and then indirectly through service and support businesses clustered around the campus.

Because universities as a general rule do not have the same geographic flexibility as corporations, regional anchor universities also add value by the predictability of their presence in the future. Without diminishing this more obvious aspect of the economic value of a major research university to a region, however, current thinking about economic development increasingly focuses on these anchor institutions as progenitors of local high tech spin offs which will further increase the number of good, high paying jobs in the region.³³ Given the forward looking nature of university research, it is reasonable to expect that these spin offs will also tend to fall into the category of nascent industries with a full technology curve ahead of them, rather than the category of follow on companies chasing a mature industry down the tail end of the technology curve. With luck, one or more of these spin offs will actually kick off a brand new billion dollar industry, and perhaps even lead to a (or “the”) technology cluster for that industry in the region.

³³ See, e.g., State Science and Technology Institute, “A Resource Guide for Technology-based Economic Development” (U.S. Dept. of Commerce, Econ. Dev. Admin., 2006); University of California Berkeley, “Serving California, the Bay Area, and the Community: The Economic Impact & Social Benefits of the University of California, Berkeley” available at <http://www.berkeley.edu/econimpact/2005-2006-econimpact-report.pdf> (2006); Paytas *et al*, “Universities and the Development of Industry Clusters” (U.S. Dept. of Commerce, Econ. Dev. Admin., 2004).

Clearly, this vision is modeled off the development of high tech clusters in first the Route 128 beltway around Boston, and later in Silicon Valley.³⁴ Both regions have multiple superstar research universities, active wealth chasing high return investments, and a well educated population that is attractive to both outside employers and prospective workers considering relocating from their current home towns. While both of these regions were already well established as research and technology commercialization hubs, the spark that kicked both of them into overdrive was arguably the Bayh-Dole Act of 1980.³⁵ By giving research universities who performed research on behalf of the federal government the right to elect to take title to any patents that arose from the research, Congress hoped to incentivize the commercialization of underutilized federally funded research. Before Bayh-Dole, federal agencies could have widely differing policies as to whether, and under what circumstances, funding recipients – or “contractors” in federal funding parlance – could keep any patentable inventions the latter developed during the funded research. Generally this resulted in the federal agencies keeping title to the inventions.

However, because these agencies were not closely connected with industry or entrepreneurs they were not well situated to transfer the technology to the private sector for development into commercial products or services. Granted, some of these inventions could be used directly by the public – say, new farming methods that required minimal new specialized equipment beyond what the farmer could produce for himself or through local vendors. For these inventions, ownership by the government and the provision of a non-exclusive, royalty free license to the public could be a perfectly acceptable way to get the fruits of federally funded research out to the public. Many other federally funded inventions, however, required intermediary commercial entities – either to engage in further research and development (R&D) to translate early stage research inventions into a form that might actually be usable in a saleable good or service, or to manufacture complicated, specialized parts and assembly of a finished good like a microwave oven. By the late 1970s, the federal agencies had shown little ability or inclination to transfer these latter kinds of inventions to commercial entities that could translate them into saleable goods or services. Accordingly, the inventions languished and were of no practical use to anyone, at any cost.³⁶

Bayh-Dole has admittedly been controversial. Because it imposes a one-size-fits-all rule that contractors – not just universities, but *any* individual, small business or non-profit who receives federal research funds³⁷ – always have the right to take title to an invention regardless of its nature, critics have alleged that public goods are being improperly transferred to the private sector for its financial gain. On the other hand, it appears to have performed admirably in its primary function as a high tech economic development

³⁴ See, e.g., ANNALEE SAXENIAN, REGIONAL ADVANTAGE: CULTURE AND COMPETITION IN SILICON VALLEY AND ROUTE 128 (Harvard Univ. Press, 1994).

³⁵ Pub. L. No. 96-517, 94 Stat. 3015, 3019-27 (1980) (codified at 35 U.S.C. §§ 200-211).

³⁶ See, e.g., National Institutes of Health, Hearings on Petition to Exercise March-In Rights (Testimony of Senator Birch Bayh, May 25, 2004) *available at* <http://www.ott.nih.gov/policy/meeting/Senator-Birch-Bayh.pdf>.

³⁷ 35 U.S.C. § 201(c).

tool that speeds basic science research through applied or translational research stages and out to the private sector to be commercialized and made available to the public in useful new goods or services.³⁸ Now that Bayh-Dole has proved itself as a mechanism for facilitating tech transfer, the question remains as to which private sector entities should receive the licenses.

Bayh-Dole requires non-profit contractors to give preference to small businesses when considering to whom they should grant a license.³⁹ But this is only a preference. If it were instead a requirement, that might defeat the tech transfer purpose of the Act as there can be many times when there is no viable small business that is willing to take a license to a given patent or technology. Thus, the ability of federally funded research institutions to act fully on this preference requirement is directly linked to the existence of viable small businesses that can commercialize the patented inventions. The consequence of a failure to commercialize the inventions in a timely manner is that the federal government funding agency can exercise march-in rights that allow it to grant a license to other commercializing entities.⁴⁰ While on one level, this penalty does not seem to be so onerous on the research institution, it in fact means that whatever negotiated deal – in terms of payments such as royalties – was reached with the licensee is now significantly disrupted.

Further, Bayh-Dole allows federal funding agencies to require contractors to file annual utilization reports attesting to how the invention is being timely commercialized.⁴¹ This provides a mechanism to help funding agencies keep track of commercialization efforts by research funding recipients. Where small businesses received the federal research funding directly as contractors, then they simply need to make sure that they themselves commercialize any patentable inventions that arise from the funding in a timely fashion – external licensing is not required. Thus the tech transfer licensing aspect of Bayh-Dole is primarily directed at non-profit contractors such as universities who are generally not in a position to directly commercialize inventions. Rather, they must engage an outside licensee to do so.⁴² Accordingly, regional anchor universities that receive federal funding as contractors need access to a plethora of small businesses who are both willing and able to commercialize federally funded inventions in a timely fashion. Because many regions lack sufficient numbers and kinds of such small businesses, universities are increasingly

³⁸ See, e.g., *Innovation's Golden Goose*, THE ECONOMIST (December 12, 2002).

³⁹ 35 U.S.C. § 202(c)(7)(d). The Act only covers situations where federal agencies fund research by individuals, small businesses, or non-profit research institutions – deemed “contractors.” 35 U.S.C. § 201(c). Nonetheless, the rules of Bayh-Dole are currently also applied to federal funding of other entities – such as big businesses – because President Reagan issued an Executive Order directing all agency heads to adopt the rules of Bayh-Dole as the patent policy for all extramural funding scenarios. See Memorandum to the Heads of Executive Departments and Agencies: Government Patent Policy, PUB. PAPERS 248 (Feb. 18, 1983). While this means that any subsequent president could rescind this Order, and institute a different patent ownership and use policy for extramural research funding situations outside of those covered by Bayh-Dole, no president has chosen to do so to date.

⁴⁰ 35 U.S.C. § 203.

⁴¹ 35 U.S.C. § 202(c)(5). Many federal funding agencies encourage or even require their funding recipients to use the iEdison online system for filing utilization reports. See “Welcome to iEdison” (National Institutes of Health) available at <https://s-edison.info.nih.gov/iEdison/>.

⁴² See 35 U.S.C. § 202(c)(7).

seeking to play a role in launching spin-off companies based around their patented inventions.

Thus, in essence, regions who wish to develop high tech clusters for economic development need to think about encouraging at least three categories of start-up tech companies. First, start-ups who can obtain funding – public and/or private – and invent new technologies themselves. Second, start-ups that are willing and able to enter into tech transfer license deals with their regional anchor universities to commercialize the latter’s inventions and innovations. And third, spin-offs that are created or coordinated by existing regional businesses or anchor universities. However, all three of these types of start-ups can face significant hurdles to survival and success.

In particular, the literature on technology commercialization has defined a gap or trough between the successful proof of concept stage of innovation and the successful commercialization of that innovation as the “Valley of Death.”⁴³ Many great ideas and start-up companies perish here for lack of funding. Generally, whatever seed funding was used to create the innovation and bring it to proof of concept stage will be insufficient to fund the expensive commercialization R&D necessary to scale up a manufacturing process and/or get through regulatory approval processes to enable the company to sell products in the marketplace. In the commercialization schema set out in this Report, the “Valley of Death” occurs generally between the translational stage (in which a raw idea or pure principle is applied to solve a specific problem) and the delivery stage (in which the specific solution is transformed into a cost effective product or service that end users can afford to purchase and use to mitigate the underlying problem as it applies directly to them). While various federal and state economic development or technology entrepreneurship programs seek to assist start-ups on the path to commercialization, they have not yet significantly reduced the “Valley of Death” issue.⁴⁴

As a bluntly *practical* matter, ideas and companies that fail to deliver useable solutions to end users are a failure. Of course, pure scientific principles or academic/philosophical ideas have a separate and valuable merit all to themselves. The point here is simply that if one’s objective is to deliver solutions to practical problems, then a failure to deliver products or services that allow users to solve those problems is a failure of the venture. Thus, one of the classic challenges for professionals who assist in commercialization of ideas is to help idea creators distinguish between “cool science” and commercializable, practically oriented ideas. Neither one is necessarily “better,” but they are quite different in what can or should be done with them.

⁴³ See, e.g., Nuala Moran, *Public sector seeks to bridge ‘valley of death’*, 25 NATURE BIOTECHNOLOGY 266 (March 2007); NATIONAL RESEARCH COUNCIL, COMM. ON ACCELERATING TECHNOLOGY TRANSITION, ACCELERATING TECHNOLOGY TRANSITION: BRIDGING THE VALLEY OF DEATH FOR MATERIALS AND PROCESSES IN DEFENSE SYSTEMS (National Academy of Sciences, 2004).

⁴⁴ See, e.g., U.S. Senate Comm. on Small Bus. & Entrepreneurship, Senator Kerry Opening Statement at SBIR Program Roundtable (Part II) (October 18, 2007) *available at* <http://sbc.senate.gov/record.cfm?id=285650>. More information on the federal Small Business Innovation Research (SBIR) Program can be found at <http://www.sba.gov/aboutsba/sbaprograms/sbir/index.html>. Information about the companion Small Business Technology Transfer (STTR) Program can be found at the same webpage.

A consequence of the “Valley of Death” is that entrepreneurial start-ups who seek to pass through it can ill-afford to pay crucial professional service providers like lawyers to help guide them through it. The firms often are struggling just to make payroll. Lawyers and accountants can seem like a luxury. At the same time, because these firms are focusing on cutting edge technology and new markets, they really need access to top lawyers specializing in areas such as IPR, tax, and business law, rather than general practice solo business attorneys. This is all the more so because most high tech start-ups seek to follow a fast growth model that will propel them from organization to initial public offering (IPO) in a matter of years, not decades. The choice of a fast growth business model is not based solely on the founder’s desire for wealth accumulation, but also the realities of what it takes to launch new global products and markets. As opposed to a local “mom and pop” pizzeria or dry cleaner that can operate successfully and profitably as a one shop operation, many new technologies need to rely on network effects⁴⁵ and/or the build-out of currently non-existent infrastructure for the venture to succeed at all. But this underscores their need for access to sophisticated, specialized counsel who can set them on the right path not just for formation of the venture and preliminary work, but also for advanced business planning that will likely include venture capital/private equity financing, an IPO, IPR procurement and management, and complicated tax issues. The problem is that attorneys and other professional consultants with these sorts of expertise also charge some of the highest billable hour rates of any professionals. For example, star attorneys at major firms in the U.S. and U.K. now charge up to \$1,000 per hour.⁴⁶ Yet even a more “modest” billable hour rate of \$400-\$600 per hour can quickly tap out a start-up company’s legal services budget.



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⁴⁵ The term “network effects” captures the challenges of new technologies such as the telephone, television, or Internet that relied on an ability for the service provider to enroll or register many users right at the outset to sell the services at all. What is the value of this new thing called a telephone if no one else has one – or at least no one I’d care to talk to (to paraphrase a famous quote about the early phone system).

⁴⁶ Nathan Koppel, *Lawyers Gear Up Grand New Fees*, WALL ST. J. (August 22, 2007 at B1).

Some law firms that specialize in representing entrepreneurial start-ups attempt to address this problem in a few basic ways. One option is simply discounting fees or even entirely writing off hours spent with entrepreneurs as “client development.” However, law firms cannot afford to do this with every entrepreneur who approaches them, and so they may limit their representation to serial entrepreneurs with proven track records or at least strong reputations as scientists, etc. Another option is for law firms to use deferred compensation structures in which the attorneys keep track of their hours, but no payment due bill is sent to the client until or unless an upcoming round of financing closes (private or public). In these cases, the clients need to be advised that they must build in these deferred payment fees to the amount of financing they are seeking for regular operational purposes. Another form of deferred compensation is for law firms to take some or all of their payment in equity of the client. This raises potential conflict issues in that the law firm may be more interested in taking the start-up public sooner that might otherwise be advisable in order to turn relatively illiquid restricted stock or options into tradable shares in public capital markets. On the other hand, it otherwise aligns the law firm’s interests with those of its client in a way that the billable hour compensation scheme does not. With billable hours, the tendency is to bill as much as possible, which increases the costs for the start-up independent of the outcome. Further, law firms that take equity in lieu of some or all of their compensation may not be doing anything categorically different from plaintiff law firms who work on a contingent fee basis, in which the firm only gets paid if it wins or settles the suit.⁴⁷

In the end, many entrepreneurs either choose to forego legal services or are not able to secure representation in a way they can afford. They also often do not know how to manage their relationship with a lawyer even if they are willing or able to try to find one. In particular, from my experience with clients in both the ELC and with faculty, staff and students with work experience in entrepreneurship programs at various universities, first time entrepreneurs usually have not been told the difference between general and specific legal representation arrangements. In the former, the attorney is supposed to be looking out for all of the venture’s legal issues, much as an in-house general counsel would. However, most law firms try to shy away from general representation. In part, this may be because without being in house at the client it can be hard for the lawyers to be privy to enough ongoing discussions among the client’s management to know when legal issues may be arising. This is especially true if the client is a cash-strapped start-up on a billable hour compensation plan that wants to keep costs down. They will be reluctant to contact the attorneys unless things seem really dire. Yet, without enough timely information from the client, things may turn out poorly in the legal matter at hand and the client may then seek to sue the firm for malpractice. In the latter case of specific or limited representation, the external attorney avoids these problems by carefully restricting the scope of the engagement to a specific question asked by the client or at least to the attorney’s specialty area (e.g., IPR).

⁴⁷ The similarities extend to the potential for conflicts as well. A plaintiff’s firms working on contingency may be tempted to settle early and move on to the next case, even though the timing or amount of the settlement might not be in the true interests of the client.

Whether based on the foregoing, or some other reasons, lawyers or firms who take on start-up clients for specific or limited representations may not always realize that the client does not fully understand this – even if it is spelled out in “legalese” in the client engagement letter. I have personal experience with entrepreneurs who were shocked to discover that the lawyers they had engaged had no obligation to spot and address legal issues outside of the narrow ones identified in a specific representation engagement letter. None of this is meant to discredit or discourage specific representation arrangements. They can be quite useful, especially when a company engages multiple firms for legal services and/or uses highly specialized counsel such as patent attorneys who may simply not have expertise to advise competently on legal issues outside of their specialty. Rather the point is that entrepreneurs need to be educated on this and other issues in managing outside professional service provider relationships.

Regions that wish to capitalize fully on the economic development potential of their local tech entrepreneurs and anchor research universities need to find ways to help entrepreneurs traverse the Valley of Death. This can include direct investments through grants, subsidized or guaranteed loans, and tax breaks, as well as indirect investments through business and professional services support. As in the microenterprise context, this Report is not concerned with direct financial investments or support of entrepreneurs. Instead, it focuses on detailing strategies for low cost clinical programs that can assist a larger number and wider array of entrepreneurs – for-profit, non-profit, and social – such that these clients are not forced to forego quality legal services appropriate to their business vision. Some entrepreneurs will only need a helping hand to cross the Valley of Death and then they can attract sufficient investment or law firms willing to structure alternative compensation plans to take them the rest of the way on their journey. Other entrepreneurs, particularly low-income microentrepreneurs who are not engaged in fast growth tech companies – and thus do not represent the kind of financial “home run” that drives law firms to structure alternate compensation plans – may need a longer period of nurturing to get them to the point of viability. Non-profit ventures may take even longer to get to the point of financial stability that allows them to afford counsel without seriously detracting from their ability to deliver their core charitable services.

In sum, there is a clear need for IPR and entrepreneurship clinics and research centers that can foster economic development through entrepreneurship. Further, by focusing on a wide range of entrepreneurial activities, these clinics and centers can further both access to justice and social justice by giving equal opportunity to local, first time entrepreneurs of limited means. They can also help support local non-profits by giving them quality legal services that they could not otherwise afford. This allows the non-profit to focus more of its limited resources on actually delivering the services in its mission as well as to minimize the legal risk that many cash strapped non-profits subject themselves to by foregoing adequate legal counsel. Helping both of these sorts of ventures – low income microenterprise and non-profits that serve disadvantaged or underserved communities – also helps strengthen the community by increasing incomes and reducing hardships that tear down already distressed communities. At the same time, allowing these clinics and centers to serve moderate income high tech entrepreneurs – especially those who will help commercialize locally the research emanating from the region’s anchor universities

– can prepare and develop the next higher tier of high paying, skilled jobs that most regions actively seek. With each region trying to be the next Silicon Valley style technology cluster, any help that the region’s entrepreneurs can get to develop a cluster will be meaningful to the success of the region in an increasingly “flat” global economy.⁴⁸ Finally, a region that has a robust local entrepreneurial community can better create a sustainable economy with reasonably high paying jobs and growth that is not subject to the vicissitudes of foreign owners.

PART II: PIONEERING STRUCTURE AND IPR SERVICES OF THE UNIVERSITY OF WASHINGTON ENTREPRENEURIAL LAW CLINIC (ELC)

Part I of this Report outlined the three major kinds of ventures that IPR and entrepreneurship clinical centers could assist: 1) low-income or disadvantaged micro-enterprises; 2) social entrepreneurship non-profits; and 3) high tech start-ups approaching the “Valley of Death” with inadequate resources. This Part focuses on structures and services of these kinds of clinical centers that can cost-effectively support these three kinds of ventures. In particular, the Report focuses on the Entrepreneurial Law Clinic (ELC) at the University of Washington in Seattle (UW), as it appears to be the first and only one to currently deliver on all three of these missions. There are a number of other IPR, small business, or entrepreneurship clinics around the United States that deliver on some of these missions. Accordingly, the Report will also summarize structures and services of these other clinics in the Appendix. This Part is further subdivided into four sections, the first relates the background, creation, and structure of the ELC, while the other three describe the IPR services the ELC provides for entrepreneurs in the three different entrepreneurship types.

A. Vision, Implementation, Structure, and Core Service of ELC

The ELC operates by forming teams of law and MBA students. Each team generally consists of three law students and one or two MBA students. The pedagogical operating principle of the ELC and unique structure of the teams is that students should begin learning how to work in multi-disciplinary teams that model the environment in which many professional service providers operate when serving business clients. Thus, each ELC team has an IPR law student, corporate/securities/commercial law student, and tax law student. Additionally, each team currently has at least one MBA student to provide general business planning and management advice.⁴⁹ In this way, each ELC team models a collection of specialized lawyers/firms and business consulting individuals/firms working collaboratively to serve an entrepreneur. At the same time, the law students are directed to think of themselves as if they were lawyers in a single firm that includes all of

⁴⁸ See generally, THOMAS FRIEDMAN, THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY (Farrar, Straus & Giroux, 2005).

⁴⁹ One goal is to expand the number of MBA students on each team such that the core business administration specialties related to entrepreneurial ventures, such as accounting, marketing, business planning, etc. are adequately represented.

the law students participating in the ELC at a given time.⁵⁰ The intent is for students to experience not only how professional service providers collaborate across firms/practices to serve a single client, but also how general practice law firms coordinate the activities of specialized lawyers within the firm to serve a single client. To that end, in virtually all cases, one law student and supervisor on the team take the lead on the client relationship, mimicking the “engagement partner” and/or “billing partner” type functions at law firms.

Early on in the formation plans for the ELC, the question of student supervision naturally arose. Under Washington State Bar Association rules, student may provide legal services to clients so long as they are supervised by an attorney licensed in Washington State who is then ultimately responsible for such legal advice. This is generally true in other states in the U.S. as well. Other UW law clinics follow the standard U.S. law clinic model of having a full time director whose primary job is to direct the clinic and supervise the students. This is an admirable model as it provides for close, on-site supervision of the student by a faculty member equally versed in practice skills and legal academic pedagogy. However, it also means that the size of clinic is limited to the number of clients and students that the director can take on as a matter of essentially her own case load. It also generally requires that the director be licensed to practice law in the state in which the clinic operates, although some states may allow directors who are licensed to practice law elsewhere to be admitted to practice in the state for the limited purpose of providing legal services and supervising students in the clinic.⁵¹ Additionally, yet beyond the scope of this Report, there has been a tradition of clinic directors having a different status than other full time members of the law school faculty. Unfortunately, this has often in practice created a two tier faculty in which the “doctrinal” faculty members – those whose primary mission is teaching substantive classes and engaging in scholarship – being eligible for tenure and/or other full voting rights, while “clinical” faculty often are not eligible of tenure and/or do not enjoy the full voting rights of doctrinal faculty.

In the case of the ELC, there were no funds initially to hire a full time director, yet the project needed to move forward. This required creative, entrepreneurial thinking, and the decision was made to run a test pilot of the project in 2005 using local law practitioners who volunteered to supervise the students for free.⁵² This proof-of-concept was completed at almost no cost, other than use of some classrooms, email, and printers at UW. I created the vision for the ELC and implemented it on my own time over and

⁵⁰ Indeed the Clinical Law Program at the University of Washington has structured itself as one law firm for purposes of all clinics housed in the Law School building (William H. Gates Hall). However, because ELC is located off site, it is not officially part of the “single firm” comprised of the on site clinics.

⁵¹ This is separate from any other processes by which the prospective clinic director might be fully admitted to practice in the state, e.g., by passing the regular bar exam for that state or waiving in under a reciprocity agreement with the lawyer’s existing state of bar admission.

⁵² At the outset of the ELC’s formation, I was admitted to practice in New York and Massachusetts, but not Washington State. To many lay persons’ surprise, there is no requirement that doctrinal faculty at law schools in the U.S. be admitted to practice – either in the state in which the law school is located, or anywhere else for that matter. At the same time, most top tier law schools recruit nationally for doctrinal faculty. Accordingly, many faculty at so-called national law schools, such as myself, wind up at a law school in a state other than where they practiced law (if at all) or went to law school. Thus, in part, the decision to use local practitioners to supervise the ELC students was based on my desire to begin the clinic before I was admitted to practice in Washington State in 2007.

above a full load of teaching and research as a tenure-track member of the doctrinal faculty at UW School of Law. Following the successful conclusion of the pilot, I recruited Katie Meyer – a graduating law student with strong interests in entrepreneurship, economic development, and public interest service – to help raise funds and coordinate the ramp-up to a full version of the clinic, in exchange for a staff position if funding was secured to pay her salary and allow the ELC to move forward. Primarily through Katie’s tireless efforts, seed grant funding for the first two to three years of operation was obtained from the Herbert B. Jones Foundation,⁵³ the Coleman Foundation,⁵⁴ and the Washington Law School Foundation in 2006. Because no rooms or offices were available in the Clinical Law Program space at the Law School building, we obtained a generous in-kind donation of office space and basic administrative support functions from the Washington Research Foundation.⁵⁵ With funding and space in hand, we formally launched the ELC in September 2006 with me as Faculty Director and Katie as Program Director.

Based on a number of considerations, the ELC has continued, and even expanded, its use of local practitioners to supervise student teams. First, because there were insufficient funds to hire a full time, experienced director of the clinic, I would have had to supervise all the law students. This would severely limit the number of students who could enroll, as well as the number of clients that could be served, because my primary role at the UW is that of a doctrinal teaching and research faculty member. Further, the use of local practitioners means that the ELC can potentially scale far beyond the size of standard law clinics that rely on a single director to supervise the students and serve the clients. At the same time, some might caution that the reliance on non-faculty supervisors can compromise the educational experience of the students. This model of using outside practitioners makes the ELC a hybrid of the traditional law school clinic and externship opportunities – dubbed a “clin-ship” by the former Director of the UW Clinical Law Program, Alan Kirtley. With these cautions in mind, we have still determined that the benefits of the model far outweigh the risks.

A second benefit of the “clin-ship” model is that it exposes the students to a wider array of skills perspectives and experiences than would be available in a single director model. Further, because the ELC taps attorneys from a range of practice types and sizes in the Seattle area, students have the opportunity to see how attorneys in solo practices or small firms approach clients and issues in contrast to how attorneys at big general practice firms might approach similar clients and issues. Likewise, students can compare the perspectives of lawyers in large boutique firms specializing in IPR with perspectives of IPR lawyers in large general practice firms. Additionally, the students highly value the extra opportunities to network with attorneys at firms in which the student may wish to work some day. Thus, the clin-ship model augments the summer associate experience by giving the students a wider range of contacts and insights into different kinds of practices than can be afforded by one or two firms they can experience through summer positions.

⁵³ <http://www.hbjfoundation.com/home.html>.

⁵⁴ <http://www.colemanfoundation.org/>.

⁵⁵ <http://www.wrfseattle.org/>.

A third benefit of the clin-ship model is that it reconnects the law school with the practicing bar, including with the law school's own alumni. The legal academy and the practicing bench and bar seem to have drifted dangerously apart, with judges decrying the irrelevance of law professors' scholarship.⁵⁶ The involvement in the ELC of a large number of lawyers practicing in the areas of law relevant to entrepreneurs can help provide a continual, fresh influx of information about important developments in the practicing bench and bar.

A fourth benefit of the model is that clients can learn how to work with attorneys without the billable hour clock running and with the security of being in a moderated academic environment in which faculty can intervene if things get off track. Further, because the ELC primarily provides only an initial top to bottom analysis of legal and business issues for the entrepreneur or start-up, clients will need to find regular counsel to represent them going forward. In some cases, clients develop a strong relationship with the attorneys supervising the client's student team, and then approach the attorneys outside of the clinic to engage their services. In other cases, clients avail themselves of the ELC's growing network of attorneys and referral service.



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The question that naturally follows is what do the supervising attorneys get out of this relationship? Certainly they can get the satisfactions of mentoring students, helping out a local law school, getting to know promising students who might be job candidates, meeting potential future clients, and, if the attorney is an alumni/ae, helping out one's alma mater. While these are all generally appealing to practicing attorneys, they may not always be enough to get those who are already struggling with a work-life balance to volunteer more time away from personal lives on a consistent basis. However, as outlined in Part I above, attorneys in the U.S. are increasingly seeking meaningful *pro bono* opportunities to fulfill their professional ethical obligations. Additionally, law

⁵⁶ Adam Liptak, *When Rendering Decisions, Judges Are Finding Law Reviews Irrelevant*, NY TIMES (March 19, 2007) available at <http://select.nytimes.com/2007/03/19/us/19bar.html>; see also WILLIAM M. SULLIVAN ET AL., *EDUCATING LAWYERS: PREPARATION FOR THE PROFESSION OF LAW 6* (The Carnegie Foundation for the Advancement of Teaching, 2007).

firms themselves are trying to demonstrate their commitment to *pro bono* service. Not only are firms trying to do this simply because it is the right thing to do and/or as part of marketing or public relations efforts, but also because highly desirable law student recruits are increasingly comparing law firms based on things like availability and support for *pro bono*.⁵⁷ At the same time, IPR and other specialty lawyers are especially hard pressed to find meaningful *pro bono* opportunities and often thus do less of it. This means that firms with substantial numbers of IPR or corporate attorneys may find it harder to meet *pro bono* obligations and challenges than those with predominantly litigation focused attorneys. Accordingly, ELC has had great success in creating a network of quality IPR and corporate attorneys that can count their ELC hours towards *pro bono* obligations and challenges.

ELC helps IPR and corporate attorneys, and their firms, meet and exceed their *pro bono* obligations by creating meaningful *pro bono* opportunities that are easily accessible and narrowly tailored to the attorneys' core areas of expertise. By primarily providing services for individuals of limited means or from minority populations as well as non-profits focused on social causes, ELC can ensure that its supervising attorneys' hours count as *pro bono* under most current definitions. To date, local attorneys, firms, and bar associations have been very supportive of ELC.⁵⁸ Pro bono coordinators at the firms and bar associations in particular have concurred that ELC has allowed them to tap more fully the *pro bono* potential of their IPR and corporate attorneys. Nearly all of the attorneys who have volunteered have reported enjoying the experience and have signed up to continue on more projects. The number of attorneys willing and available to supervise teams also allows ELC staff to rotate attorneys in and out of active duty so as to forestall any potential fatigue of specific attorneys. The nature of the supervision and legal services are also such that they are easily manageable, as discussed further below. Finally, supervising attorneys also benefit by being able to simultaneously provide *pro bono* services to the community and develop relationships with entrepreneurs and organizations that later may become regular fee paying clients of the attorneys and their firms.

This last point raises the issue of where the line is between services that ELC should provide and those properly left to the local practicing bar. Another way of looking at the issue is to determine whether the ELC would be competing with the local bar for clients. Further, if the ELC takes on clients or projects that could be served by the local bar in its normal (i.e., fee paying) capacity, then questions could be raised as to whether these are the proper sorts of activities for which university resources should be used. The key, then, is to determine which kinds of clients and/or projects would likely *not* be adequately served by the local practicing bar, primarily because of financial limitations of the clients and the economics of law practice. While a fuller description of the different

⁵⁷ Zusha Elinson, *Stanford Students Grade Firms on Diversity*, THE RECORDER (October 12, 2007) available at <http://www.law.com/jsp/article.jsp?id=1192093401814>; Law Students Building a Better Legal Profession available at <http://refirmation.wordpress.com/> and <http://www.betterlegalprofession.org/>.

⁵⁸ A list of firms and associations that provide attorneys to ELC is available at <http://www.law.washington.edu/Clinics/Entrepreneurial.html>.

kinds of ELC services and clients is given below for different types of entrepreneurship, a brief description of the core service that ELC seeks to provide is as follows.

ELC's primary service is a form of diligence analysis for the client's eyes only. As outlined in Part I above, entrepreneurs often are unable to afford to consult attorneys or other business advisers when they launch their ventures. Even when they do, they may only engage an attorney or consultant for a narrow question, rather than for a comprehensive analysis of their business vision. Yet, so many legal issues can be better taken into account in the planning stages of a business, instead of after the business is up and running. Entrepreneurs often do not know what they do not know, and are tightly focused on their particular expertise or vision. This means that they really need experienced attorneys and consultants to help them vet the business idea from all angles. An organized comprehensive assessment of the legal and business issues that can confront the entrepreneur and her business can be time consuming but well worth it. In many cases, what the entrepreneur needs is a basic tutorial on IPR or other business law that is tailored to her business vision. First time entrepreneurs may not even have a formal business plan. By guiding the entrepreneur through a standard SWOT analysis (strengths, weaknesses, opportunities, threats), an ELC team can help the entrepreneur create a formal business plan. Thus, the core ELC service is a legal and business "audit" that results in a confidential report outlining the relevant legal and business issues raised by the prospective venture and suggesting courses of action as the venture moves forward.

The benefits of this core legal audit service are manifold. For attorneys the main benefits are its manageability and complementary – rather than competitive – nature in relation to the practicing bar's fee paying services. As distinguished from litigation, major transactional deals, or patent prosecution, the legal audit can be done according to the schedule of the attorneys, students, and client, and within one academic quarter.⁵⁹ This means that the attorney only needs to commit to one academic quarter at a time. While in some cases the participants are unable to complete the audit in one quarter, the additional time needed to complete the project is minimal. In any event, the commitment to supervise an ELC audit will be nothing like the long term, time intensive commitment involved in IPR litigation, patent prosecution, or a major transactional deal. Even during the academic quarter in which the audit is performed, supervising attorneys generally only spend around 10 hours on the project.

Equally important, the ELC audit and its general focus on custom tutorials on fundamental IPR concepts tailored to the client's business vision takes a standard component of counseling first time entrepreneurs that is not the best use of a practicing attorney's time and transfers it to a student. For the student, on the other hand, this can be a very useful exercise as it may be the first time she gets to counsel a client as to the important points of IPR law. From an economic perspective, it is also not a good use of resources for a law firm partner – billing anywhere from \$200/hr and up – to spend an

⁵⁹ The University of Washington adheres to an academic quarter system, with the instruction period in each quarter lasting about 10 weeks. Schools on a semester system generally have 14 week semesters, Consequently, the ELC legal audit can be performed within a semester based system as well.

hour or so explaining “IPR 101” to a first time entrepreneur. It may not even be a good use of an associate’s time, as they will likely be billing at a minimum of \$100/hr themselves. At best, the exercise could be a useful training device for a first year associate, albeit an expensive one for the client. Accordingly many firms will write down time spent in these kinds of basic tutorials or counseling sessions as client development costs for entrepreneurs who do not have significant wealth (including middle or upper middle income individuals). Firms are limited in the number of these sessions they can write down, however, not only because hours spent on these sessions are hours taken from revenue producing tasks, but also because a significant number of the entrepreneurial ventures will not launch. The firm can hope that the entrepreneur will someday try a different venture, and return to the firm for fee paying services, but if not, then the investment of the low or no cost counseling session does not even result in fee paying work down the road.⁶⁰ Thus, the return on investment for these sorts of *gratis* counseling sessions may not be as high as other kinds of client development activities, and hence not a good deal for the firm. As mentioned above, firms sometimes also offer alternative compensation arrangements to promising, but cash poor, prospective clients. But these are generally predicated on the expected ability of the client to pay the accrued fees at a later point in time – such as when a financing round is completed – and so only make sense for the most promising ventures. Preferably, these ventures would also be further along than the “idea on a napkin” stage, although firms may take on an experienced serial entrepreneur under an alternative compensation arrangement in the pre-business plan stage.

Accordingly, attorneys benefit from the ELC audit service in a few specific ways. When ELC has identified and screened the client, the supervising attorney can then work with that client on a *pro bono* basis, which has immediate benefits as described above, rather than on the vague calculus of *gratis* client development. Sometimes, the attorneys or firms have identified the client and then refer them to ELC, rather than either turn them away entirely or risk spending valuable client development hours on a client that is at too early a stage in their venture to assess the likelihood of successful launch. In either case, the attorney and firm can essentially “outsource” the most time consuming “IPR 101” counseling function to a competent IPR trained student, while still developing a relationship with the client and providing their valuable experience to both the client and student. This dynamic in turn leads the ELC staff to seek very early entrepreneurs who are potential “diamonds in the rough” or “not ready for prime time” as they are the least likely to be able to engage an attorney on either a fee paying or alternative compensation/client development basis. Of course, this also underscores the perception and reality of the ELC *complementing* and not *competing* with the local practicing bar. ELC helps the local IPR bar fulfill its *pro bono* obligations to the community by coordinating a venue and structure in which attorneys can direct students as the latter

⁶⁰ Firms engage in many forms of client development activities that are not billed to a client and may not result in any, or many, fee paying engagements. So there is nothing fundamentally wrong with giving away basic IPR and entrepreneurship counseling sessions in the hopes that some of the recipients will launch ventures that bring fee paying work to the firm. The point instead is that firms can only afford to engage in so many non-fee paying activities overall, and these must be spread across a range of activities, not just these kinds of counseling sessions.

strive to polish diamond-in-the-rough early stage entrepreneurs who are then more likely to successfully launch a venture. Equally important, the audit can uncover fatal problems for the venture sooner than later and save everyone – especially the entrepreneur – what might become significant wasted time and efforts.

Students also specifically benefit from the ELC audit exercise, beyond the general benefits of client interaction and guided practice experience that they would receive in any law school clinic. Because the audit is designed to analyze the client’s entire business vision, the student gets to participate in the kind of top down, comprehensive legal analysis and counseling that is often only the province of senior associates and partners at law firms. Junior associates, by contrast, are often only given narrow tasks related to a litigation or transactional matter that make it hard for the associate to see the big picture of even that litigation or transactional matter, let alone the client’s overall business strategy. The ELC audit exercise allows students to experience what it is like to “be there at the beginning” as a new venture takes shape and indeed help mold its contours. Students receive a far better understanding of how to create comprehensive legal strategies for ventures than they would receive if they worked on only a narrow task for a specific matter on behalf of a larger client. In this era of increasingly complicated IPR issues and landscapes, IPR practices and firms that might traditionally have been narrowly focused on IPR procurement or litigation are now promoting their ability to help clients create just such comprehensive IPR strategies – offensive and defensive – as well as structure complex IPR and technology transactions. IPR portfolio management, freedom to operate analyses, and even more exotic developments such as IPR securitization, pools, and auctions are becoming standard practice areas for IPR attorneys. The ELC audit process allows the students to learn about many of these under the guidance of the Faculty Director and supervising attorneys and in a way that applies them to real world situations. Accordingly, students have given very high marks to the ELC, with some even reporting that firms they interviewed with for summer associate or permanent positions were very interested in their work with the Clinic.



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Clients benefit from the specific structure of the ELC audit in multiple ways as well. For many, the experience is eye-opening as they begin to see numerous issues of which they were formerly unaware. Thus, while a number of ELC clients seek out the clinic because of a specific issue or legal question, they find that the audit process puts that issue into a broader context and makes them feel more in control of the legal aspects of their venture. Even those who are resistant to the idea of the audit at first are nearly always glad that they went through it.⁶¹ They also enjoy the greater amount of time that they can spend with students, in contrast to their experiences with practicing attorneys who, quite understandably, are either billing for the time or trying to minimize it if the consultation is on a *gratis* client development basis. At the same time, they have the security of knowing that seasoned attorneys and faculty members are supervising the students. Further, the time spent with supervising attorneys or faculty is generally far more productive because the students have been able to address the basic issues and so attorney or faculty consultations can stay focused on the more advanced, nuanced issues of IPR law and strategy. Finally, as mentioned above, clients get to learn how lawyers work and how to manage their legal counsel. They can begin to formulate the manner in which they will take in legal advice, including legal risk analysis, and blend it into other assessments of business risk and objectives such that they can make what are ultimately always business decisions for the venture.

* * *

The foregoing is only intended to outline the general benefits of all clients in the ELC, but each specific type of entrepreneur/venture receives some specialized version of the core audit, and, in some cases, additional services as well. Accordingly, the next few sections outline how the ELC services are tailored for the three different kinds of entrepreneurial ventures.

B. Services for Low-Income or Disadvantaged Microentrepreneurs

At first blush, low-income or disadvantaged microentrepreneurs seem to be simultaneously the most deserving of low or no cost legal services and the least likely to have IPR issues. Neither of these is quite true. Undoubtedly, individuals of limited means and/or suffering from the legacy of ethnic or minority oppression deserve some help in overcoming these obstacles to their future success. Increasingly, this help is seen as more lasting when given in the form of property and/or economic opportunity, as opposed to welfare or hand-outs.⁶² As discussed in Part I, economic opportunity in the form of entrepreneurship training and financial assistance may produce the best results in raising incomes and standard of living in traditionally disadvantaged communities. Yet, as also discussed above, microenterprises are generally for-profit ventures, and so their proprietors may well end up doing quite well financially. Thus, without restating the

⁶¹ The audit is also a “gateway” service of the ELC in that, except in very rare circumstances, all clients must go through the audit first before having access to any other ELC services.

⁶² See, e.g., Henry Louis Gates Jr., *Forty Acres and a Gap in Wealth*, NY TIMES (November 18, 2007 at Op-Ed page).

analysis of Part I, suffice it to say that low or no cost legal services to low-income or disadvantaged microentrepreneurs are generally viewed as advantageous and qualify as *pro bono* activities, even though in some cases this may not be true.

Likewise, while it is true that most microenterprises will not develop or use patentable or patented inventions (other than as embodied in commercially available products), it would be a serious mistake to conclude that microentrepreneurs do not need IPR counseling. Every business will have a name and some form of business identity or brand. The fact that many microenterprises will employ generic or descriptive business names – e.g., “Ray’s Pizza” – may not be a reason to conclude that these businesses need little in the way of even trademark counseling. Instead, these choices of names and the frequent lack of protectable branding and trade dress among these types of companies may be symptoms of the *failure* of competent trademark counseling to the founders of these businesses. Indeed, once the signs are painted and the awning is up, how many small businesses can afford to change all of this, even if they later discovered that the name and trade dress are unprotectable? Stepping over to copyright, how many microenterprises are counseled as to their possible copyrights in things like brochures, business literature, menus, designs, manuals, or images? Even arts and crafts microenterprises like art studios, clothing and jewelry designers, and musicians appear to rarely obtain competent copyright (or trademark) counseling.⁶³ Further, while many microenterprises will in fact develop or obtain proprietary methods or information regarding the production and delivery of their products or services, relatively few will receive competent counseling as to protecting these things as trade secrets or patents. Finally, as the scope of patentable subject matter is perceived to be expanding in the U.S. and elsewhere, more microenterprises may find themselves either developing patentable inventions, or infringing other’s patents, especially in the area of business methods.

As the foregoing suggests, microentrepreneurs need counseling not only regarding their proprietary or “offensive” IPR positions, but also with regard to their freedom-to-operate or “defensive” IPR positions. Thus, for example, while “Ray’s Pizza” may seem merely descriptive – and thus unprotectable as a trademark by anyone – another pizza entrepreneur may already have engaged in enough branding around the name so that he can show secondary meaning in the local market and thus claim at least state level common law trademark rights. This may put new pizza entrepreneurs in the community in the position of facing a trademark infringement suit if they choose to name their new ventures by the same name – even if one of them is actually named Ray, and even if the purported owner of the trademark is not.⁶⁴

⁶³ This observation is based on: i) conversations with organizations that provide low or no cost IPR advice to artists, such as Volunteer Lawyers for the Arts in New York City and Washington Lawyers for the Arts in Seattle; ii) personal experience with artists from my 12 years as a singer-songwriter in the Boston and New York areas; iii) my six years as General Counsel of Rhizome.org, the premier non-profit new media and digital arts organization; iv) my substantial teaching and public speaking experiences with students and audiences comprised of artists; and v) interactions with the artists who have become clients of the ELC.

⁶⁴ See, John Tierney, *In a Pizza War, It’s 3 Rays Against the Rest*, NY TIMES (March 25, 1991) available at <http://query.nytimes.com/gst/fullpage.html?res=9D0CE7D8123FF936A15750C0A967958260&sec=&spone=&pagewanted=print>.

Accordingly, microentrepreneurs need competent IPR counsel able to at least issue spot across all areas of IPR – and including “fringe” areas of IPR such as unfair competition, antitrust, publicity rights, and privacy rights. Such counsel must also be able to at least counsel as to the three facets of IPR practice: procurement, litigation, and transactional. Ideally, this counseling would occur before the business is even launched. It should also include a coherent IPR strategy guiding the foreseeable future development of the venture. In this way, the microentrepreneur’s practical *and* aspirational goals are critical for the attorney to know. An entrepreneur who truly seems to desire to operate only one or two stores will likely have a different long term IPR strategy than one who has visions of regional, national, and perhaps even international expansion.⁶⁵ This kind of representation requires a fairly sophisticated IPR practitioner however. It may not be feasible for an attorney with only a glancing familiarity with IPR and related areas.

Prior to the launch of the ELC at the University of Washington, law clinics around the country that provided legal services to microentrepreneurs were largely small business clinics that focused on basic business formation, financing, employment, and commercial lease issues.⁶⁶ Of course, these services are critical to microentrepreneurs and their ventures, and so the ELC also provides them as one of its three core service areas (the other two are IPR and tax). But, a fundamental purpose of this Report is to demonstrate that the provision of low or no cost quality IPR counseling is both necessary and feasible for the full flowering of a robust regional entrepreneurship-based economy. What entrepreneurs primarily do is harness various resources in service of a novel way of delivering a new or existing product or service.⁶⁷ They also operate and innovate in areas of uncertainty and risk. Accordingly, the core attributes or assets that the entrepreneur brings to the venture may not be labor, manual skills, capital, or even the product or service idea itself, but instead the entrepreneur’s business vision, contacts, and ability to bring together the resources needed to develop the venture. Yet, if the latter are the primary attributes or assets of the entrepreneur, then the only practical way to protect them are secrecy and legal mechanisms based on IPR and related areas. Therefore, small business clinics that fail to address meaningfully the means to protect the entrepreneur’s core proprietary attributes and assets risk leaving the entrepreneur vulnerable in just the very areas that constitute her core value and contributions to the venture.

Despite the arguments above for using full, regular ELC teams for microentrepreneurs – in this case to ensure that the latter receive IPR advice from specialists – it may not always be necessary to do so. In some cases, supervising attorneys may feel that the client’s business vision will not be complex enough to warrant using a team of up to 10 students and supervisors combined for the legal and business audit. While no client has yet complained about receiving the attention of this many professionals, admittedly the deployment of a full team in some cases may be overkill. At the same time, there appears to be an increasing convergence of IPR and business law specialists. In part this may be because IPR is better understood to represent a core business asset across all business

⁶⁵ See, e.g., *id.*

⁶⁶ See Appendix 1.

⁶⁷ See, e.g., Patrick J. Murphy *et al.*, *A conceptual history of entrepreneurial thought*, 12 J. MGMT. HIST. 12 (2006).

types now. This cuts two ways: first, business lawyers have become aware that they must have at least some threshold level of IPR knowledge to spot IPR issues for their clients (even if they then refer the clients to IPR specialists if the issue turns out to be material); and second, IPR lawyers have become aware that they must understand the role of IPR in their client's business strategies, and thus approach IPR counseling as a strategic portfolio management issue, rather than as a standalone niche aspect of the client's overall business plans. Accordingly, as IPR comes out of the shadows of niche, specialty areas of legal practice, there will likely be an increase in the number of general practice business attorneys who will have a reasonably sophisticated knowledge of it. Flipping this around, it seems that training the next generation of general practice business attorneys to include IPR as a core area of expertise will do both these attorneys and their clients well.

Thus, the ELC is exploring flexible team models to learn both what is possible and what is best for clients, students, and supervising attorneys. This flexible approach also helps the students see different models of representation, as they will be deciding what form of practice environment they want to work in after graduation. Some will gravitate to the largest firms, others to small or mid-sized firms, while others to starting their own solo practice. Of course, many students may find they start in one sort of practice environment and move to another later on. Further, many law students today enter both law school and law firms after graduation with the express goal of ultimately becoming in-house counsel to a business. This path is well served by immersing oneself in all aspects of business law, including IPR. The ELC seeks to accommodate, and even encourage, students who want to "cross train" across the areas of corporate law, securities law, commercial law, IPR, and tax law. Finally, a flexible approach that allows some instances where the team consists of only one law student, one supervising attorney, and perhaps one MBA student, also allows for greater distribution of clinic personnel resources. While the ELC currently has adequate personnel to staff teams, there could always come a time when it does not. As a model for other clinics as well, it is helpful for the ELC to explore multiple staffing configurations as not all other existing or prospective clinics in various locales around the globe will have the same access to qualified supervising attorneys or students.

However the team staffing is set up, the most important IPR counseling for microentrepreneurs beyond the basic "IPR 101" explanation must focus on how the entrepreneur can control IPR and proprietary information ownership. In other words, while an "IPR 101" conversation can help the entrepreneur understand the differences among patents, copyrights, trademarks, and trade secrets, it often fails to convey to the entrepreneur how to structure relationships with others involved in the venture such that ownership – or at least licenses – to key IPR and information is transferred to the entrepreneur. "IPR 101" discussions of trade secrets law should naturally flow into a discussion of *how* to preserve secrecy when the entrepreneur discloses the ideas or information to others – *e.g.*, through the execution of a non-disclosure agreement (NDA) or confidentiality agreement. However, the entrepreneur needs to be guided through

standard forms of NDAs and confidentiality agreements,⁶⁸ as well as counseled as to what kinds of “fall back” positions they can establish if an outside party refuses to sign an NDA. For instance, a verbal requirement of assent that the outside party acknowledges that the information to be disclosed by the entrepreneur is confidential may be challenging to authenticate in court, but is nonetheless still better than nothing. At the very least it forces the outside party who may have misappropriated the disclosed trade secret to commit perjury in subsequent litigation by having to lie about the conversation or else concede the existence of the verbal confidentiality agreement. This kind of counseling reaches beyond mere doctrinal “IPR 101” discussions, however, and pushes the ELC to train students in these kinds of practical counseling tips, as well as use seasoned supervising attorneys who can guide the students through this kind of practical counseling.

This practical counseling also reaches beyond doctrinal “IPR 101” discussions because the entrepreneur must be counseled as to how to think about maintaining secrecy with regards to inside parties such as employees and partners. This is further complicated by the frequently blurry lines between employees and partners in small ventures. Thus, practical discussions of establishing and maintaining trade secret status for valuable ideas and information may need to be integrated with a discussion of the law governing sole proprietorships and general partnerships, which can be formed without the entrepreneur’s full understanding or intention of doing so.⁶⁹ Where the other inside party is properly an employee, then the entrepreneur should have the employee sign both an NDA/confidentiality agreement as well as an IPR assignment agreement,⁷⁰ or a single document that incorporates clauses covering both of these. If the other inside party is properly a partner instead, then it may be odd to have the partner execute both these agreements. As a partner, the other party owes the entrepreneur some duties including confidentiality. Further, if the other party is a partner, then they will likely not be willing to assign any IPR developed in the course of the partnership to the entrepreneur as an individual. Rather, at most, the other partner might consent to assigning it to the partnership. In the alternative, the IPR might already be jointly owned by the partners if they all had some role in its creation.⁷¹ Yet, business partners and joint owners of IPR generally have the full right to assign or license the partnerships assets or the IPR, as applicable, without the permission of the other partner(s). Accordingly, a partnership agreement is highly advisable to control confidentiality, disposition of partnership assets (including IPR), and other IPR management and control issues. Joint owners of IPR who may not necessarily also be business partners should also execute a formal agreement governing management and disposition of the jointly owned IPR.

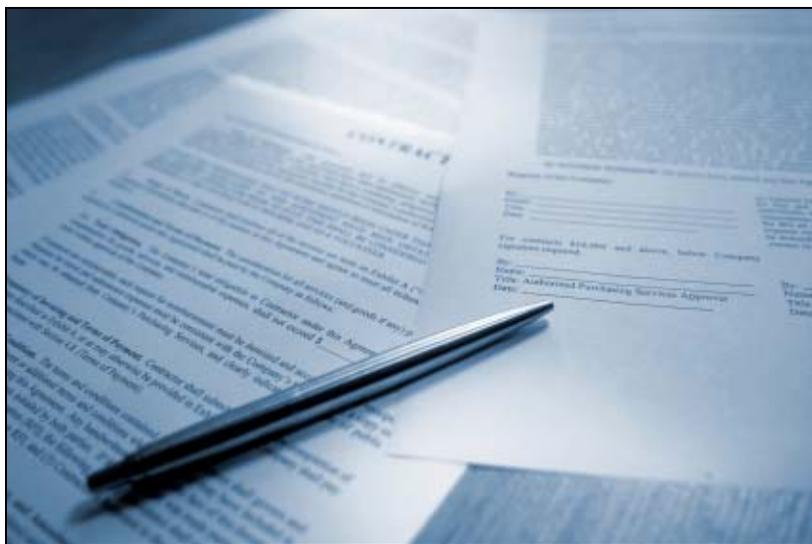
⁶⁸ This should include short, one-page versions that may sacrifice some protections for the entrepreneur but may be necessary for outside parties who may be nervous about signing anything, as well as longer versions that offer fuller protection to the disclosing entrepreneur.

⁶⁹ See, e.g., REV. CODE WA § 25.05.055 (“Except [where the association has been registered as another form of business entity], the association of two or more persons to carry on as co-owners a business for profit forms a partnership, whether or not the persons intend to form a partnership.”).

⁷⁰ For a discussion of the latter, see Part II(D) below.

⁷¹ The rules for joint ownership vary among the different areas of IPR.

The foregoing analysis can apply equally well where the asset at issue is a copyright, trademark, or patent. Depending on the exact circumstances and business plan of the entrepreneur, the ownership, use and/or control of subject matter governed by areas similar to IPR such as publicity rights, competition law, and privacy may need to be analyzed. Finally, the confusingly related, but differing, domains of federal and state trademark law need to be carefully worked through with the entrepreneur. This is perhaps even more important from a defensive perspective, with the continued encroachment of national and international chain goods and service providers on neighborhoods formerly served primarily by local mom-and-pop firms. The large chains have shown a willingness to sue local shops over any use of marks, trade dress, or other indicia that could be interpreted to show an unauthorized affiliation or endorsement with the chain organization. An additional layer of confusion for the entrepreneur can be added in states that require registration of a company's name or trade names separate from listing the name on incorporation or limited liability company formation filings. In some cases this may also serve as a state *trademark* registration, but in others it is simply a mechanism to allow the state to find the firm behind a trade name and/or to prevent two firms from having exactly the same name, similar to the name disclosure in business entity formation filing documents.



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In sum, the ELC counsels microentrepreneurs on IPR issues to an extent that might surprise those who assume that these businesses essentially have no IPR. ELC provides advice on how to structure relationships with parties both inside and outside of the venture. This includes relationships with professional service providers such as lawyers, and includes considerations as to whether professional responsibility obligations of these service providers are sufficient to protect valuable ideas and information, or whether express NDAs or confidentiality agreements are needed for full protection. ELC may help microentrepreneurs with IPR procurement such as registering copyrights and trademarks, but does not currently prosecute patents on behalf of clients. This is due to a combination of factors, discussed further in Part II(D) below. However, ELC will help guide an entrepreneur through the process of filing a provisional patent application in

cases where time is of the essence, yet the decision to commit to a full patent application is not possible.

C. Services for Social Entrepreneurship Non-Profit Organizations

Social entrepreneurship is a relatively new phenomenon; or perhaps just a new name for an older phenomenon.⁷² For some it may simply be the newest buzz phrase for those who want to “do well by doing good” as the old expression goes. This Section of the Report, however, does not focus on for-profit social entrepreneurship ventures – which would be treated by the ELC as either microenterprises or technology start-ups, as applicable. Instead it focuses on social entrepreneurship non-profits. As mentioned above, non-profits are not necessarily either charitable organizations or cash starved entities. There are both non-profit firms providing valuable services for pay similar to for-profit businesses and well endowed private foundations whose mission is to fund other non-profits. Because the ELC tries to concentrate its services on persons or entities of limited means so that its supervising attorneys can count their ELC hours as *pro bono*, ELC generally will not take on non-profit clients who either receive substantial revenues (including through grants) or are well endowed.

At the same time, ELC has worked with individuals and groups who do not yet know whether they want to establish a venture on a non-profit or for-profit basis. Provided that these sorts of individuals or groups neither consist of wealthy individuals nor have already received substantial outside funding (or funding commitments), then they are actually ideal ELC clients. ELC’s core legal and business audit service is the perfect mechanism for such individuals or groups to deliberate over what sort of structure the venture should adopt. However, this means that students and supervising attorneys need to also have some expertise in counseling on non-profit organization law and governance, as well as tax exempt status filings and compliance.⁷³ These areas are beyond the scope of this Report, but this brief discussion is included for the purpose of explaining why ELC is exploring the option of having teams dedicated to serving non-profit clients. Such teams might consist of either the full complement of students and supervisors or the smaller one student/one supervisor model currently used with some microentrepreneur clients.

One mistake that is often made regarding non-profit organizations is that they need neither business plans nor professional services. This is increasingly understood to be incorrect, especially in the field of social entrepreneurship where aggressive research programs to create and deploy innovative solutions to social problems need careful planning and management. And, of course, where there is innovation there are potential

⁷² See, e.g., Ashoka, “What is a Social Entrepreneur?” available at http://www.ashoka.org/fellows/social_entrepreneur.cfm.

⁷³ A common mistake of those interested in establishing non-profit organizations is that by incorporating as a non-profit corporation automatically makes the entity tax exempt. In the U.S. it does not. Incorporation is a matter of state law and does not even necessarily establish the tax exempt status of the corporation for state tax purposes. It certainly does not gain tax exempt status with regard to the federal Internal Revenue Service.

IPR issues. Further, as in any other venture that seeks to operate in the world and needs to establish awareness of the venture among actual or potential partners, customers, clients, benefactors etc., social entrepreneurship firms need to build and control a brand identity protectable by trademark. Thus the ELC offers IPR counseling to social entrepreneurship non-profits just as it would to other kinds of enterprises.

The nature of this IPR counseling can differ from that for microenterprises or start-ups that will operate on a for-profit basis. While trademark counseling will likely be similar to that described for microenterprises above, counseling in the other areas of IPR can involve important twists. First, counseling as to patents generally focuses more predominantly on freedom-to-operate analyses. This was the case with ELC's work for PATH, the Seattle-based international, non-profit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health.⁷⁴ PATH collaborates with diverse public- and private-sector partners to help provide appropriate health technologies and vital strategies in poor or disadvantaged communities. Because of this, however, PATH needs to ensure that the technologies it develops and/or deploys will not infringe patents held by others. While PATH is a relatively well-funded organization, every extra dollar it spends for professional services such as expert IPR counseling is a dollar taken away from delivering on its charitable missions.⁷⁵ Accordingly, ELC has provided freedom-to-operate and other patent landscape analyses to PATH. There may be some cases in which ELC would advise a non-profit to pursue so-called "defensive" patenting in which the patentee obtains a patent on its technology simply to prevent others from patenting the technology, or something very similar, and then attempting to block the non-profit's use of the technology. Non-profits and government agencies who wish to assure that a technology they develop remains freely available may engage in such defensive patenting and then make no or low cost non-exclusive licenses available to all comers. In the event that the non-profit does want to patent its inventions, it must then take care to put in place proper patent assignment and NDA arrangements as discussed in Part II(D) below and Part II(B) above, respectively. Because many non-profits that engage in research receive government funding for that research, the non-profit must also be aware of the special conditions under the Bayh-Dole Act for inventions developed in total or in part based on federal funding.⁷⁶

Trade secret counseling can provide a different challenge in the social entrepreneurship non-profit environment. On the one hand, trade secrets may seem the antithesis of the open dissemination of solutions to social problems that is the touchstone of most social entrepreneurship. On the other hand, it may be that trade secrets and treatment of information and methods as proprietary and confidential may be needed as the non-profit develops its goods and services, such that other individuals or for-profit firms cannot misappropriate or misuse the information or methods. This is partly a defensive IPR rationale and partly an expediency based on the fact that some information collected and held by the social entrepreneurship non-profit may be sensitive, personal data. Like the

⁷⁴ www.path.org.

⁷⁵ See PATH, "Our Finances", available at <http://path.org/finances.php>.

⁷⁶ See Part II(D).

case of patents, if the non-profit wants to hold some methods or information as trade secrets or other proprietary/confidential information, it must put in place assignment and NDA agreements as described in Part II(B) above. The complication here is that some employees of non-profits may be less agreeable to the use of trade secrets and other proprietary/confidential information mechanisms in the social entrepreneurship setting – including the concomitant demand that they assign any rights to know-how they develop to the non-profit and/or accept what they might see as the equivalent of a gag order in the form of an NDA or confidentiality agreement.

Copyright counseling will also generally follow the analysis for defensive strategies rather than offensive ones. Managers of non-profits also often need to be disabused of the notion that just because they operate in a non-profit setting their activities with regard to others' copyrighted material somehow always constitutes "fair use."⁷⁷ They do not. Non-profit and educational institutions can be liable for copyright infringement in many cases, including where the allegedly fair use instead serves to diminish the copyright owner's market such as in the distribution of unauthorized copies of entire copyrighted works. Additionally, in the likely event that the non-profit wishes to establish copyright protections over some materials created for it by employees, it should make clear to those employees which materials they create will be considered as within the scope of their employment and hence works-for-hire.⁷⁸ Similarly, if the non-profit will use outside consultants to create copyrightable works, it should determine whether it needs to own the copyrights to such works. If so, it will need to try to establish the work as a work-for-hire or secure the assignment of the copyright to the work if it cannot be made a work-for-hire, both by means of a written agreement.⁷⁹ Copyrights can be assigned or exclusively licensed only through a written agreement, and non-exclusively licensed through a written or verbal agreement.⁸⁰

Finally, social entrepreneurship non-profits will also need to be especially careful to watch for situations where they use quotes, images, or other devices that may indicate endorsement or connection with other individuals or organizations. In the case of individuals, especially famous ones, the non-profit may run afoul of publicity rights or even invasion of privacy issues if consent is not clearly obtained from the individual for the use in question. In the case of organizations, the non-profit may infringe trade marks, trade dress, or even simply be liable under § 43(a) of the Lanham Act in the U.S. for improperly suggesting/claiming endorsement by, or affiliation with, the other organization.⁸¹ Again, managers of non-profits often wrongly assume that any of their activities with regard to publicity rights or trademarks is somehow excused under a version of copyright law's fair use doctrine. Neither state publicity rights nor federal or state trademark law have fair use doctrines that work the same way as that in copyright law. Whereas fair use in copyright excuses some relatively minimal unauthorized use of

⁷⁷ The statutory provisions for fair use are set out in 17 U.S.C. § 107.

⁷⁸ 17 U.S.C. §§ 101, 201.

⁷⁹ There are enumerated set of situations under the Copyright Act in which a hiring party can try to establish a work as a work-for-hire when it is created by an outside (non-employee) party. *See id.*

⁸⁰ 17 U.S.C. §§ 101, 204(a).

⁸¹ The Lanham Act is codified at 15 U.S.C. § 1051 *et seq.* Section 43(a) is codified at 15 U.S.C. § 1125(a).

copyrighted works, especially if the use is in a different form or venue from that which the copyright owner has tried to exploit, the laws governing publicity rights and trademarks primarily have an unauthorized use allowance only for when the image, names, or marks are being used to identify the person, product/service, or mark itself. Such “nominative use” should be used only to the extent necessary to accomplish such identification – gratuitous use beyond this will not be excused. Trademark law also has a doctrine called “fair use” but it is quite different from that of both copyright fair use and even trademark law’s nominative use. Trademark fair use arises when a mark holder has included words in a mark that competitors will also need to use simply to describe the products/services, or attributes of products/services, that they all produce. For example, just because a coffee company (now owned by Starbucks Coffee Company) has claimed “Seattle’s Best Coffee” as its mark, does not prohibit other coffee companies in Seattle from using a tagline along the lines of “Voted Seattle’s best coffee by . . .” (presuming this is true and simply descriptive). It may not try to use other marks or indicia such as specific typefaces or colors that Starbucks owns which are enforceable trademarks or key aspects of those trademarks or trade dress for Seattle’s Best Coffee.

In sum, the ELC counsels non-profit social entrepreneurs on IPR primarily from a defensive perspective. The main exception to this is trademark counseling which includes offensive counseling to help the non-profit build and protect its brand. As social entrepreneurship ventures increasingly move towards developing innovative technology based solutions to social issues, the degree of IPR counseling sophistication across all areas of IPR required has also risen. Accordingly, most ELC non-profit clients can benefit from working with a full team through the legal and business audit and beyond. Further, because many social entrepreneurship non-profits will remain financially constrained into their foreseeable future, the ELC may choose to provide ongoing legal services to them without creating competition with the local practicing bar. Indeed, many of these non-profits may remain dependent on *pro bono* legal services indefinitely and so do not represent possible fee paying clients to any lawyers. ELC provides a service to both the organizations and to local attorneys by screening these non-profits as clients and then coordinating *pro bono* legal work for them by student teams and supervising attorneys.

D. Services for High Tech Entrepreneurs

High tech entrepreneurs may seem to be the most likely to have IPR issues and the least likely to deserve low or no cost legal services. However, just as the reverse was not exactly true for microentrepreneurs, this statement about high tech entrepreneurs is not always true either. To see why this is so, it is important to flesh out what we mean by “high tech entrepreneur.” First, as discussed in Part II(B) above, entrepreneurs are not necessarily the creators or inventors of the new innovations or technologies that will be commercialized by the venture. Entrepreneurs *qua* entrepreneurs simply recognize a business opportunity and coordinate the resources needed to exploit that opportunity. As also noted above, this insight into the existence of an underserved business niche, as well as the connections and ability to effectively bring together the necessary resources, can be

proprietary and confidential as well. In many ways these skills are the entrepreneur's stock in trade.

Thus, a "high tech entrepreneur" is an entrepreneur who focuses on business opportunities created by innovations in high technology areas such as digital information technologies (IT), biotechnologies, and nanotechnologies. This means that the high tech entrepreneur is not necessarily as wedded to any particular version of an emerging technology as the inventor is, and indeed can put together a venture to serve a business niche with any of what are often multiple, distinct versions of an emerging class of technology. For example, the high tech entrepreneur who wants to deliver products in the emerging field of high definition television can choose from different technology platforms to do so. Indeed, this is where the entrepreneur's skills as an entrepreneur really shine: the "winning" technology platform in the marketplace is usually not the most technically advanced or elegant one, but rather the one that is used to develop cost-effective goods or services that succeed in the marketplace through superior sales, marketing, distribution channels, and partnerships with complementary goods/services providers.



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Accordingly, high tech entrepreneurs who are seeking primarily to serve a business need (rather than commercialize a predetermined invention), and thus are willing to consider a range of technological solutions to do so, need not be as concerned about IPR per se as inventors or authors need to be. Inventors *qua* inventors and authors *qua* authors have nothing to sell once they have completed an invention or work other than whatever exclusive or proprietary rights they have obtained to use that invention or copy that work, as applicable.⁸² Thus, without some forms of IPR, the inventor and author are left to sell their ingenuity and creativity as a form of labor to an employer, such as an entrepreneur.

⁸² Of course, they can sell a physical artifact embodying the invention or manuscript that fixes the work in a tangible medium. But generally neither of these will be as commercially valuable as the exclusive rights to work the invention or produce copies of the work, which are solely created and administered through the IPR system.

The high tech entrepreneur, on the other hand, can choose among competing IPR protected platforms or even choose to make a commodity technology play off a non-IPR protected platform, say a generic version of a high tech drug/biologic, or low cost laptop computer assembled from “off the shelf” components.⁸³ This makes him less dependent on IPR than might be expected at first blush.

At the same time, while a successful entrepreneur may ultimately make substantial amounts of money, most first time entrepreneurs are of average wealth to begin with and must begin their ventures on the proverbial shoestring. In fact, one of the skills of an entrepreneur is how to ramp up a business from almost nothing. Many ventures are even started “on the side” while the entrepreneur is employed by someone else. Accordingly, high tech entrepreneurs can have a range of IPR issues from minimal to quite sophisticated. At the same time, these entrepreneurs may range from struggling grad students with little income or wealth – and thus have nothing to start the business with other than an idea and “sweat equity” – to successful serial entrepreneurs who can largely bankroll their latest venture themselves, including the costs of employees and office/lab space. Thus, there is no single profile of high tech entrepreneurs as to their IPR or financial needs.

While the high tech entrepreneur *qua* entrepreneur is generally looking at an underserved market niche that he thinks can be served by goods or services based on the application of some subset of a class of emerging or existing technologies, the inventor who wants to commercialize his invention is thereby limited to developing and/or promoting applications of his invention. He therefore has a much greater stake in protecting that invention and applications based on it, which means that IPR issues will be a high priority in almost all cases. Further, unless the inventor is also a good entrepreneur, his best financial path may be to assign or license the invention to an entrepreneur or organization skilled at commercializing inventions in the particular field or art of the invention. In this case, IPR issues are paramount for the inventor. Even where the inventor also seeks to be his own entrepreneur, he will likely be fairly committed to his own inventions and so does not have the IPR flexibility of the non-inventing high tech entrepreneur. In some cases, of course, the non-inventing high tech entrepreneur simply becomes so enamored of an invention that he can be as committed to it as its inventor (and possibly more so if he invests substantial resources into developing it). It may also be that the entrepreneur cannot envision any other means of achieving his business vision. In all of these cases, the importance of IPR protection for the invention becomes critical to the entrepreneur.

⁸³ These “off the shelf” components may themselves be patented, but so long as they are commercially available on a non-conditioned sale basis, then the doctrine of patent exhaustion applies and the entrepreneur’s assemblage of them into a larger device is not really impacted by any patents on the components (other than combination patents which cover the combination of the component with other elements to create a device similar to the entrepreneur’s proposed device). The point is that the entrepreneur’s combination of the off the shelf elements may result in no new patentable invention, and thus there is no IPR brought into play at the level of the device. The entrepreneur may have some cost saving manufacturing methods that he will protect by trade secret, but this does not change the fact that he is competing with a generic commodity play rather than a proprietary premium play in the marketplace.

An extra wrinkle in what so far amounts to at most a two player scenario – inventors and entrepreneurs, or perhaps one person doing both – is that inventors are frequently employed by others at the time of invention, including public and private entities. There certainly are still many independent inventors, but with both the nature of technological innovation requiring substantial financing and equipment, and the large numbers of researchers employed by public and private organizations, probably the majority of inventions will arise in employer labs, rather than in the proverbial garage. This complicates the scenario as now the inventor’s inventions may be owned by the employer instead, as will be discussed in the paragraphs below.

Yet, even where the employer owns the invention, this only pushes the problem of how to commercialize the patented invention to the employer rather than inventor. Where the employer is a private corporation with the wherewithal to commercialize the invention itself, then the questions revolve around economic analyses of the costs and benefits of choosing a commercialization pathway. Specific factors will be the likelihood of a retail market and the price points that market will be able to afford, as well as the costs to scale up a manufacturing operation and/or delivery system for products or services and the costs of goods sold or services produced. In some cases, the company may decide not to even file for patent protection on the invention – except possibly solely for defensive purposes. Or, if it has obtained a patent, either do nothing with it or license it out.

Where the employer is an educational institution or government entity, it has essentially no direct commercialization capacity and thus must assign or license inventions for commercialization by the private sector. Non-profits can occupy a middle ground because some like PATH or Institute for One World Health⁸⁴ are very much in the business of developing and delivering products or services to the marketplace, albeit on a non-profit basis. Part II(C) above discussed the IPR issues of such social entrepreneurship ventures and the services that ELC provides to them. Many non-profit research institutions do not deliver products or service to the marketplace, but rather operate more like educational or government research facilities. The private sector entities that commercialize the inventions arising from educational, government, and pure research non-profit labs are either established corporations or high tech entrepreneurs and their start-up companies.

The upshot of all of the foregoing is that there are three major conceptual categories of players in high tech entrepreneurship: 1) inventors and research labs; 2) high tech entrepreneurs and start-ups; and 3) established corporations. A fuller discussion of the high tech entrepreneurship/commercialization landscape would also include venture capitalists and other technology financiers. However, because ELC does not work with VC- or even angel-backed start-ups – who can afford to pay counsel – the important role of financiers in IPR decisions is of less concern for ELC and this Report.⁸⁵

⁸⁴ <http://www.oneworldhealth.org/>.

⁸⁵ Of course, ELC does counsel non-funded entrepreneurs and their ventures about what to expect when professional financiers such as VCs enter the picture. For that matter, ELC also advises early stage entrepreneurs and their firms about what to expect from partnerships, mergers, or acquisitions with or by established corporations, and even in other “exits” such as IPOs or bankruptcy/dissolution.

As mentioned above, the role of entrepreneur and inventor can be, and frequently are, combined in one person.

Among these players, established corporations can afford counsel, and indeed often have in-house counsel, and so do not qualify for ELC services. Inventors may qualify for the ELC to the extent that they are not wealthy; preferably they should be of limited means. However, the assessment of financial need of inventors should also take into account that they would need to hire specialized lawyers such as patent attorneys who generally charge higher fees than general practice business lawyers. So even where an inventor of middle class means might be able to pay a general practice attorney for basic services such as setting up a corporation or leasing office space, he may not be able to afford to pay patent attorneys. This is true both because the payments to patent attorneys will likely be cumulative on top of fees for standard legal services and because patent prosecution can be such a long and expensive proposition – often reaching into the tens of thousands of dollars to obtain a single patent. ELC takes all of this into account when assessing whether a candidate qualifies for ELC services. The analysis for entrepreneurs is quite similar.

In the end, the main consideration for ELC in screening for-profit inventors and/or entrepreneurs for ELC services is whether they have reasonable access to, and can afford, appropriately sophisticated legal services. This could be through the inventor's or entrepreneur's own finances, the willingness of a lawyer or firm to structure alternative compensation structures as discussed above in Part II(B), or the funding provided by other parties such as angel or VC investors. This screening criteria helps the ELC stay on track with its three goals of: i) complementing rather than competing with the practicing bar; ii) providing relevant opportunities for supervising attorneys that qualify as *pro bono*; and iii) supporting the University's own mission to provide services to the community. Additionally, ELC provides services for inventors and high tech entrepreneurs to aid the continued economic development of the Puget Sound region, which is largely focused on the high tech sector.⁸⁶

ELC's IPR counseling for inventors and high tech entrepreneurs follows much of the same basic outlines of that provided to microentrepreneurs as set forth in Part II(B) above. However, for inventors and high tech entrepreneurs the ELC, not surprisingly, needs to offer an additional emphasis on patents. Further, similar to the discussion of IPR counseling for microentrepreneurs, a basic "IPR 101" session for the inventor or entrepreneur will not help them understand some of the most practical and important factors in assessing what their patent strategies might be. For example, the "IPR 101" explanation of what constitutes patent eligibility and patentability for inventions does not tell the entrepreneur who owns either the invention or any patent that later arises from it. At the very least, the entrepreneur needs to be introduced to the rules of determining

⁸⁶ See Washington Economic Development Commission, *Enhancing Washington State's Economic Future: Commercializing Technology Developed in Our Research Institutions*, available at http://cted.wa.gov/CTED/documents/ID_3320_Publications.pdf.

inventorship under U.S. patent law.⁸⁷ Yet, even this is insufficient because of the severability of inventorship and ownership under the U.S. system.⁸⁸

In particular, inventors who are employed by another may have assigned inventions done in the scope of that employment to the employer, either through operation of the common law “hired to invent” rule or by express written agreement.⁸⁹ However, if there was neither an express written assignment of patentable inventions nor a hired to invent situation, then the employee will not have to assign the invention. If instead the invention was made on the employer’s time or with the employer’s resources, and again absent an express written assignment, then the employer will have a “shop right” which allows it a non-exclusive license to practice the invention.⁹⁰ If there is no written assignment and the inventor-employee was not hired to invent, and did not use employer time or resources, then he owns all the rights to the invention. Accordingly, most employers who expect inventions to be made by employees and who have competent IPR counsel will have those employees execute invention assignments as either part of an employment agreement or as a stand alone contract. Because of some perceived abuses of employee IPR assignments – *e.g.* requirements to assign inventions created by the employee even before or after the term of employment – some states in the U.S. passed laws restricting the permissible scope of assignment agreements.⁹¹ At bottom, inventors and those who employ them need to understand that there are three different sorts of things that can be owned and/or conveyed along the way to a patent. The first is the invention as potentially patentable idea or trade secret. The second is the patent application that has been filed with the USPTO. The third is the patent that finally issues.

As if these three stages did not present enough complexity on their own, transfers of rights at each stage can also be done in three different ways: A) assignment; B) exclusive license; and C) non-exclusive license.⁹² When these transfers are accomplished through a written agreement, then there is significant ambiguity as to whether the transfer – and any disputes over it – should be treated as a matter of federal patent law or state contract law. Under the U.S. Supreme Court’s recent opinion in *MedImmune, Inc. v. Genentech, Inc.* it

⁸⁷ 35 U.S.C. § 116.

⁸⁸ 35 U.S.C. § 261.

⁸⁹ See *United States v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933). Employment situations expressly subject to the policies set forth in employee handbooks or similar codifications can also legally impose IPR assignment obligations, so long as such obligations is clearly stated in the written policies.

⁹⁰ See *id.*

⁹¹ See, *e.g.*, Rev. Code WA § 49.44.140 (voiding agreements to assign employee’s inventions made outside of work hours, without employer’s facilities or resources, and outside the scope of employer’s business and research performed by employee as part of employment); CA Labor Code §§ 2870-2872.

⁹² There are further nuances as well. An exclusive license can be interpreted as conveying all rights save bare ownership to the licensee such that the licensor cannot even practice the invention anymore. In this case, courts may treat the conveyance as effectively the same as an assignment. See, *e.g.*, *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 240 F.3d 1016 (2001). However, in many cases the licensor wants to retain the right to practice the invention. In this case, some licensing attorneys will use the term “sole license” instead, indicating that the licensee is the only person/organization that will receive a license to practice the invention, while avoiding any language that may suggest the licensee has exclusive rights even as against the licensor. Further nuances include exclusive licenses in a defined field of use, such that the patent owner/licensor can effectively grant multiple “exclusive” licenses under a single patent.

seems that assignments and licenses should primarily be interpreted as contracts governed by state law.⁹³ At the same time, assignments, and most likely exclusive licenses, must be recorded with the USPTO.⁹⁴ There is nothing inconsistent with a federal requirement to record a transaction that is governed by state law. As seen in the arguments in *MedImmune v. Genentech* and other patent licensing cases, however, there has been substantial dispute as to whether patent licenses should be considered as governed by federal patent law or state contract law.

Currently, the ELC does not prosecute patents for its clients. At most it may assist the inventor to prepare and file a provisional patent application.⁹⁵ While some IPR clinics in the U.S. prosecute full patent applications for their clients, the ELC has held off for a few important reasons. First, patent prosecution work is the core fee paying service provided by many patent attorneys. To provide this service through the ELC could bring the ELC directly into competition with the local patent bar. Further, because of ELC staff's close connection with the local patent bar, including the Washington State Patent Lawyers Association,⁹⁶ it has in all appropriate cases been able to refer out a client to competent patent counsel. Further, in situations where the client was truly unable to afford the full cost of the patent attorney's time to prosecute the patent, the attorneys have entered into alternative compensation arrangements with the client.⁹⁷



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⁹³ 127 S. Ct. 764 (2006).

⁹⁴ 35 U.S.C. § 261.

⁹⁵ 35 U.S.C. § 111(b).

⁹⁶ <http://www.wspla.org/>.

⁹⁷ This circles back to one of the ELC's key services for clients: counseling the client on how to interact with legal professionals. In many cases, inventors and entrepreneurs who have not interacted much with lawyers are rightly concerned that they will quickly get caught in a trap of expensive legal bills that will swamp them and their venture's limited finances. By helping to explain ways to manage the attorney-client relationship, the ELC performs a valuable service in facilitating the development of successful ones. At the same time, local attorneys appear to value referrals from the ELC and thus seem to be extra vigilant in maintaining the highest standards of professional responsibility and fairness to clients referred from the ELC.

Second, the length of time it takes to prosecute a patent means that an ELC student who starts an application is essentially guaranteed to not be able to see it through issuance. While the problem of legal services that run longer than a standard clinic enrollment is common in litigation based clinics, this seems to be a matter of necessity for students to get any experience with litigation in a clinical setting, rather than that it provides an optimal arrangement. Thus, if ELC students can get the experience of counseling clients as to IPR matters and strategy, including some assessment of the patent eligibility or patentability of the client's invention, in a single academic quarter, then this will provide a full picture of at least some aspect of patent practice, rather than simply seeing a slice of other aspects.

Third, patent prosecution focused students will most likely obtain at least a second year summer associate position with a firm in which they can work on patent applications and prosecution. By contrast, they may not have much significant client time in that position and will almost certainly not be able to actively participate in the kind of initial and global client counseling and strategizing that they can do in the ELC. Fourth, patent prosecution services could well tap out our supervising attorneys, who would then be taking on an open ended prosecution that could drag on for years on top of their regular fee paying work. Clinics that have traditional executive directors who take responsibility for the client caseload can engage in patent prosecution, but such clinics cost more because of the nature of the full time clinic director and have a relatively low cap on how many clients they can take on. At the same time, none of these arguments mean that the ELC will never prosecute patents; rather just that the ELC staff would have to satisfy themselves that any such work would not run afoul of any of the concerns stated herein.

In sum, ELC serves low to middle income inventors and high tech entrepreneurs similar to how it serves microentrepreneurs, but with an increased focus on patents. If the ELC served only, or even primarily, middle income inventors and/or high tech entrepreneurs, then legal services provided by supervising attorneys would not qualify as *pro bono*. However, definitions of *pro bono* as drafted by organizations such as the Pro Bono Institute generally allow all legal services provided through a non-profit or educational legal services entity to qualify as *pro bono* even if some minority of the clients are not "persons of limited means." Further, as discussed above, because of the significant extra level of expense of patent counsel over and above the regular business and IPR law expenses of other kinds of entrepreneurs, even persons of middle income will likely not be able to afford the legal services they need to start their business. Accordingly, by carefully screening the mix of clients, incomes/assets, and legal services needs, the ELC can maintain its ability to offer supervising attorneys qualified *pro bono* activities that are appropriate to their specialization in IPR law. At the same time, ELC students get to interact with at least some bona fide high tech ventures, rather than exclusively "mom and pop" microenterprises. Finally, the ELC can further two different aspects of the University of Washington's, and the Clinical Law Program's, public service mission: helping disadvantaged members of the community and facilitating economic development by supporting both ordinary entrepreneurship and high tech entrepreneurship.

E. Services for TechTransfer at University of Washington and its LaunchPad Spin-off Initiative

As mentioned in the foregoing sections, regional economic development can benefit greatly from anchor universities and research institutions that can spin off technologies to local start-ups and private sector commercializing entities. However, these institutions are equally likely to license out promising technologies to established companies located elsewhere. Where federal funding is involved, then under provisions of the Bayh-Dole Act the university is supposed to give preference to small businesses when licensing the patented inventions. But these small businesses could be located anywhere in the country. While any licensing that results in a successfully commercialized product means that the university will receive royalties or other license compensation, and hence there will be a derivative trickle down economic benefit to the community, the region would benefit even more if the commercialization activities also occurred locally. Accordingly, many regions are focusing more than ever on encouraging their local research institutions to increase their patenting and licensing activities, together with trying to find ways to facilitate local commercialization of the technologies. Washington State is particularly focused on increasing successful local commercialization of research emanating from the State's premiere research institutions such as UW.⁹⁸ Successful local commercialization, in turn, is dependent on whether there are willing and able local companies to take a license and develop the technology into deliverable products or services.

In many cases, cutting edge university research results require entire new companies that can formulate new kinds of business plans or models around pioneering research/technology. Existing companies in all likelihood already have business plans and models built around existing technologies/research. They may be able to add the new research/technology to their business plan, or modify their core business plan to focus on the new research/technology, instead. But in many cases, a brand new start-up can offer the best chance for early stage research results to be developed through proof-of-concept stage.⁹⁹ Where a new company is required, the university can play a entrepreneurial coordination role by bringing together the research faculty inventors, outside entrepreneurial management, and funders such as angels or VCs, to create what can best then be thought of as a spin-off from the university. Unfortunately, the term "university spin outs" has been used to describe a number different things. Sometimes, the term is used simply to describe a license of patents to an outside venture. This is not really a "spin off" though, if the university had no role in establishing the venture – there is nothing "spun off" from the university as a license is simply a license.¹⁰⁰ Other times it

⁹⁸ See Washington Economic Development Commission, *Enhancing Washington State's Economic Future: Commercializing Technology Developed in Our Research Institutions*, available at http://cted.wa.gov/CTED/documents/ID_3320_Publications.pdf.

⁹⁹ Granted, the start-up may well then have to eventually sell or license the developed technology to a large established firm, or partner with that firm, for manufacture and distribution of the retail products/services.

¹⁰⁰ The term "spin off" arose in the private sector context when a firm would cleave off an entire unit or business division and move the people and assets into a new legal business entity. In some cases the parent company owns all or part of the equity of the new entity; in other cases it may own the equity only

may be used to describe a situation where a whole technology platform is licensed through a combination of patent, know-how (or trade secret), copyright, confidential information, and sometimes even trademarks to an outside venture. This is more plausibly a “spin off” – of the technology at least – but is better considered to be simply a standard full fledged technology transfer deal.¹⁰¹ Thus, the ELC and this Report consider a university “spin off” to be all and only those situations where the university actively plays an entrepreneurial coordination role to facilitate the creation of a new entity specifically to commercialize a university technology.

These distinctions have great practical importance because they bear on how and whether university tech transfer offices (TTOs) can or should execute on their missions to license out university research for commercialization. Currently, it is difficult enough for TTOs to evaluate all faculty invention disclosure forms, select some to file patent applications on, and then try to find a licensee. The TTO case manager has to make at least three very difficult calls: 1) is the “invention” patentable?; 2) if it is patentable, can it be developed into a product or service that will have a decent market?; and 3) even if (1) and (2) are answered in the affirmative, is there a willing and able private sector firm who can take the patented invention from its likely status as early stage academic research result all the way through to a saleable product or service in the marketplace? Adding on a role for the TTO to actually help develop a suitable start-up commercialization entity can quickly extend beyond already taxed resources at most TTOs. Nonetheless, many universities – encourage by state or local governments and economic development agencies – are attempting this extra role. The resource demands of these sort of initiatives provide a great opportunity for university law and business clinics such as the ELC to step in and assist.

The ELC has just partnered with the LaunchPad initiative at UW TechTransfer to facilitate university spin offs.¹⁰² Many of these spin offs will include some participation by the faculty researcher who developed the technology. ELC has dedicated a team to work as a kind of consultant to TechTransfer and LaunchPad to help advise faculty inventors who are considering working with LaunchPad to create a university spin off to commercialize the inventor’s technology. ELC’s core business and legal audit service work perfectly for this purpose. Essentially, TechTransfer and LaunchPad get to leverage their limited resources by handing off much of the early stage venture counseling to the ELC team. At the same time, the faculty researcher will be able to more fully discuss

temporarily as the plan is to sell off all its ownership position in the entity (as a vehicle for selling off the unit essentially).

¹⁰¹ It is not clear that a simple patent license should be deemed “technology transfer” as an entire technology or platform is rarely captured by a single patent, or even a handful of patents. Instead, a technology or platform nearly always contains enabling know-how and other information that extends around and beyond the patents.

¹⁰² For information on LaunchPad, see UW TechTransfer, Starting a Company: Working With UW TechTransfer: LaunchPad Initiative, *available at* http://depts.washington.edu/techtran/uwcommunity/uw_starting_working_with_techtran.php#launchpad. For more information on forming companies around UW technologies, see UW TechTransfer, Business Development Opportunities, *available at* http://depts.washington.edu/techtran/externalcomm/exbiz_business_development_how_start.php.

their visions for, and questions about, their technology and its commercialization than in the case where there is only one TTO case manager available to them. In particular, the capacity of the law students to engage in “IPR 101” discussions with the faculty inventors really shines in this context. Often, what the faculty inventor really needs to understand is the differences among: a) cool science; b) patentable inventions; and c) commercialized products/services. The ELC team can take the time needed to really guide the faculty member through the business and legal issues involved in taking the faculty member’s specific technology through establishment of IPR rights all the way to marketing/distribution of a product or service in the marketplace.

In the right circumstances, and with the consent of all involved parties, the ELC LaunchPad team might assist UW and the faculty member in setting up the legal entity for the spin off and assisting in some other basic legal and business establishment matters. However, both LaunchPad and ELC must avoid acting improperly in conflict of interest situations, and indeed should avoid them altogether. For example, because the faculty member’s invention, and patent or other IPR attaching to it, is likely owned by the UW under the UW’s standard faculty IPR policy,¹⁰³ then TechTransfer is the UW agent or unit responsible for managing such inventions and their associated IPR on behalf of UW. Accordingly, when a faculty member establishes an outside entity to commercialize the invention, that entity must negotiate and execute a license with UW for the IPR covering the invention. TechTransfer cannot be an agent of both the UW and the external entity in that case, of course, and so TechTransfer must advise that entity (and the faculty member) that it should retain its own counsel to advise it with response to the potential license. Because ELC is also a UW agent, it cannot represent the external entity against the UW either.

This point is exactly where other university IPR or business clinics who have wanted to assist faculty members ran into a conundrum. They perceived the main need of the faculty member to be the negotiation of the tech transfer license and attempted to find a way to advise the faculty member (and any external company established to take the license) without acting improperly in a conflicted situation. This is impossible, from a professional responsibility perspective, *unless* the university, faculty inventor, and outside prospective licensee entity (if any) all executed conflict waivers. Even if all the parties were willing to execute such waivers, it would probably still not be worth the potential concerns over such arrangements, not to mention that the reason conflicts of interest are problematic is because not all the parties may wind up receiving appropriate counsel. Even if everyone signs the waivers, this does not mean that this is the right thing to do or that the parties are in fact making the right decision on their representation. Further, for law students who want to participate in tech transfer licensing activities, schools like UW have established externship programs with not only UW TechTransfer, but also the tech transfer units of other non-profit research institutions in the Puget Sound region. So it is not necessary for them to get this experience in the ELC. UW Law School also has externships with the Washington State Attorney General’s Office on campus, which handles all legal issues for UW as general counsel (UW is a state agency

¹⁰³ University of Washington, “Patent, Invention and Copyright Policy,” *available at* <http://www.washington.edu/faculty/facsenate/handbook/04-05-07.html>.

and so represented by the Washington State Attorney General just as any other branch of Washington State government would be). Accordingly, UW law students can also gain direct practice experience with UW IPR issues through that externship.¹⁰⁴ At some point in the future, ELC might also take on a non-profit research institution as a client for which tech transfer issues could arise (based on that institution's own IPR). In fact, as discussed below, ELC is currently part of the Clinical Translational Science Award (CTSA)¹⁰⁵ from National Institutes of Health (NIH) granted to the Institute of Translational Health Science based at UW, which includes a consortium of other regional health sciences research institutions.¹⁰⁶ This project may well allow ELC's dedicated CTSA team to advise consortium members on tech transfer issues.

Primarily, however, ELC's partnership with LaunchPad at UW TechTransfer centers on the ELC teams helping LaunchPad case managers to analyze and counsel on potential spin-offs involving UW technologies, IPR, and faculty. If faculty members contact ELC about technology they believe they have developed at UW, ELC will direct the faculty member to LaunchPad and TechTransfer. Once TechTransfer has secured the appropriate Record of Invention disclosure from the faculty member,¹⁰⁷ and if it decides that an ELC team would be useful in working with it and/or the faculty member in deciding whether and how to commercialize the invention, then it will request an ELC team. The ELC will then do its best to make an appropriate team available and commence work on behalf of TechTransfer and LaunchPad. It is clearly disclosed to faculty members that the ELC team is not engaging in an attorney-client relationship with them, nor acting as any kind of consultant or agent to them. ELC's sole client is UW TechTransfer. While this kind of scenario may seem odd or unusual, it is no more odd than situations in corporations where employees can talk to the company's attorneys about issues relating to their work at the company. Company counsel of course has to disclose that it is not acting as the employees' counsel in this situation, and that if anything adversarial, or potentially adversarial, arises, then the employees should retain their own personal counsel. In the ELC-LaunchPad partnership, both ELC and LaunchPad staff are involved throughout the process, which should help minimize any false impressions that ELC is actually working on behalf of the faculty member and her prospective outside venture.

¹⁰⁴ I act as the faculty supervisor for almost all students who are accepted for the UW AGO externship. I also have a special confidential consulting relationship with the UW AGO so as to be able to offer additional guidance and expertise to both student externs and the AGO on UW IPR matters.

¹⁰⁵ <http://www.ctsaweb.org/>.

¹⁰⁶ See University of Washington School of Law, "Law School Clinic to Work with New UW Health Science Research Institute" (October 25, 2007) *available at* http://www.law.washington.edu/News/Articles/Default.aspx?YR=2007&ID=ELC_NIH_grant; University of Washington, "NIH funds University of Washington Institute of Translational Health Sciences," (September 18, 2007) *available at* <http://uwnews.washington.edu/ni/article.asp?articleID=36634>;

¹⁰⁷ University of Washington, TechTransfer, "Start Working With Us/Report an Innovation," *available at* http://depts.washington.edu/techtran/uwcommunity/uw_report_innovation.php.



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Once this framework is properly established, the ELC work for LaunchPad then proceeds similar to ELC's other high tech entrepreneur projects. The notable exception is that ELC will not discuss ownership of the faculty member's IPR as it would discuss ownership issues with other entrepreneur clients. Of course, ELC will discuss ownership issues moving forward for the proposed venture as to new IPR that may be created within the new venture and completely separate from the faculty member's UW research activities. ELC will also especially hone in on explaining to the faculty member that university research and the patents that arise from it are usually so early stage that any commercializable products or service that emerge from the translational and/or commercialization R&D process may not be adequately covered by the existing patents or applications filed by UW. Thus, the spin off may well need to file new patent applications as the translational and commercial R&D phases unfold.

Currently, the ELC-LaunchPad initiative is just completing its first year. So far the projects have proceeded exceptionally well, with all parties feeling that there are substantial synergies and added value through the partnership. No major issues have developed at this point. One question may be that if the partnerships grows and multiple ELC teams are working with LaunchPad, whether that will change ELC's overall ability to qualify supervising attorneys' hours as *pro bono*. To some degree this will depend on the evolving definitions for *pro bono* promulgated by groups such as the Pro Bono Institute. At the same time, ELC could separate the LaunchPad projects and teams from the rest of the ELC. This should maintain the *pro bono* status of the attorneys supervising regular teams, even as it would eliminate the opportunity for supervisors of the LaunchPad projects to qualify their hours as *pro bono*. On the other hand, those attorneys, and the ELC-LaunchPad teams, are still providing an extremely valuable service to both UW and the State of Washington. Thus, even if the hours do not qualify as *pro bono* for purposes of bar association or third party assessments, they can still be promoted as public service.

Along similar lines of customized versions or uses of ELC teams, ELC was part of a successful grant proposal to NIH's CTSA program to promote "bench to bedside"

development of therapeutics from basic health sciences research conducted by a consortium of Puget Sound region health sciences research institutions.¹⁰⁸ The Institute for Translational Health Sciences (ITHS) is based at the UW School of Medicine, although it also includes Children's Hospital and Regional Medical Center, Fred Hutchinson Cancer Research Center, Seattle Cancer Care Alliance, Group Health Cooperative Center for Health Studies, Benaroya Research Institute at Virginia Mason, and the Northwest Association for Biomedical Research. The purpose behind the NIH's CTSA project is to seed a number of consortium sites around the country to serve as discovery engines that can rapidly translate research into prevention strategies and clinical treatments. One of the key challenges is for basic science researchers to better understand the translational work that needs to be done to move basic science research results to testable products, as well as for translational researchers to better understand the legal and business realities of the commercialization pathway. Therefore, part of the CTSA project is to support education and training opportunities for health science researchers to better understand the commercialization pathway. I have also committed to help the ITHS implement commercialization education programs including as both a classroom instructor and through supervising the ELC team that will be work with ITHS researchers who develop breakthroughs that might be commercializable. The ELC team role has two different parts. The first is primarily tailored education and is well captured by the ELC students' ability to guide clients through "IPR 101" discussions customized to the researcher's field and scientific breakthrough. The second is oriented around helping the researcher plan a commercialization strategy, and possibly assisting in its implementation. The first ITHS CTSA projects will likely commence in early 2008.

F. Summary of ELC Services and Role in Puget Sound Economic Development

ELC has taken a holistic approach to facilitating economic development in the Puget Sound region appropriate to UW's mission as a state institution. It offers critical early stage law and business counseling to: i) microentrepreneurs, especially those with low incomes or trying to start a business in a disadvantaged community; ii) non-profits who seek to deliver services to the poor and disadvantaged in the region and beyond; iii) high tech entrepreneurs of low or middle income who seek to build desirable tech companies in the region that can provide high paying, skilled jobs; and iv) the UW and its tech transfer mission, especially with regard to its increased emphasis on assisting faculty members to create spin off companies in the region based on their UW research. It has partnered with other organizations in the region that are also interested in innovation and economic development such as Washington Research Foundation and Washington State Patent Lawyers Association. It has also successfully requested and received funding from foundations focused on entrepreneurship and economic development, including the Herbert B. Jones Foundation, Coleman Foundation, and Washington Law School Foundation.

Due to its pioneering "clin-ship" model, ELC is able to scale far beyond traditional law school clinics which are limited by the case load that a single clinic director can take on. Currently, ELC deploys five teams per year that each can serve one or two clients per

¹⁰⁸ *See supra.*

academic quarter during the regular academic year.¹⁰⁹ This results in a capacity to serve anywhere from 15 to 30 clients per regular academic year. The actual number varies according to whether some clients continue with ELC beyond the core legal audit stage to receive some basic legal services in additional academic quarters. Based on the enthusiastic response of practicing lawyers in the community to supervise teams, there is at this time no clear limit to the scalability of ELC. At some point, ELC will run into constraints based on the number of qualified attorneys in the region and/or the ability of ELC staff to coordinate the orderly flow of students, supervisors, and clients through the process. At the same time, based on the substantial number of highly qualified attorneys in the region, it is equally likely that ELC would run out of entrepreneur clients before it ran out of attorney supervisors. Or, ELC will tap out the number of students at UW Law School and Business School who are willing and able to participate in the clinic. Of course, these are the sorts of problems that are actually good problems. If local entrepreneurs and research faculty are being adequately counseled, then the ELC and the local professional community have completely fulfilled their obligation to the region. If UW Law School and Business School are able to provide a slot in the ELC for every interested and qualified student, then the schools will have completely discharged their duties to these students. If every qualified and interested local corporate, IPR and/or tax attorney is able to provide *pro bono* services that are appropriate to his or her expertise through the ELC, then the clinic will have also furthered the public good in a very significant way, while providing a valuable service to attorneys and their firms.

The next stage of development in the ELC project is to harness the flow of entrepreneurs, students, and professionals to build a real-world based research program focused on innovation, entrepreneurship, commercialization, law and policy. Such a program would fit well into research and education initiatives promoted by funding organizations such as the Kauffman Foundation,¹¹⁰ as well as the needs of national, state, and local economic development agencies. It would further the entrepreneurship studies movement that continues to evolve and grow in the academy.¹¹¹ Most centrally to the sponsors of this Report, IPI and the USPTO, the proposed ELC research program will generate useful data and policy considerations for debates over IPR reform.

The need for empirical data with regard to IPR and entrepreneurship is significant, yet difficult to come by. In large part this is based on definitional problems of what constitutes an “entrepreneur.” As detailed in this Report, there are many kinds of entrepreneurs and virtually all of them will have to interface with some part of the IPR system. Yet, because of the very creativity and flexibility of the entrepreneurial mind, even perceived dysfunctions of the IPR system (e.g., “weak” or “over broad” patents) can lead to entrepreneurial opportunities. While some may want to categorize various flavors of entrepreneurship as “good” vs. “bad,” and/or “socially useful” vs.

¹⁰⁹ The UW academic calendar is based around a full year quarter system – Autumn Quarter (Aug. 16 – Dec. 15); Winter Quarter (Dec. 16 – March 15); Spring Quarter (March 16 – June 15); and Summer Quarter (June 16 – August 15). However, the Summer Quarter is generally not considered to be part of the regular academic year, and schools and departments can use it as other colleges and universities would use a summer term. ELC does not currently operate during the Summer Quarter, but may do so in the future.

¹¹⁰ www.kauffman.org.

¹¹¹ See, e.g., <http://www.ssrn.com/erpn/index.html>.

“socially harmful,” I believe that this is a very difficult and dangerous path that in fact will undermine the promotion of great entrepreneurship across the board.

Related to the foregoing, any entrepreneurship research programs that fail to take into account the broad universe of entrepreneurs and their interactions with the IPR system may well do a disservice to policy makers by generating skewed data as to what kinds of IPR reform or systems are “best” for entrepreneurs. Which is not to say that narrowly focused studies of particular entrepreneurial niches are inherently problematic, but only that if those studies are not couched in a broader framework of entrepreneurship writ large, then they may be dangerously misleading. As seen in the patent reform debates of the past few years, perspectives on what constitutes the “right” or “best” IPR reform depends heavily on industry affiliation (e.g., biotech vs. IT industries) as well as size and nature of economic players (e.g., start-up vs. established company). Further, it is not enough to try to take into account only high profile technology entrepreneurship fields like biotech or IT. “Entrepreneurship” certainly does not reduce to all and only “tech entrepreneurship.” Neither does “tech entrepreneurship” reduce to the two fields of “bio-entrepreneurship” and “high tech entrepreneurship.” (when the latter is used to capture entrepreneurship in the IT sector). As the new wave of clean and green technology innovation and commercialization shows, there is still much cutting edge research being done in fields such as materials sciences and mechanics. Likewise, there are emerging areas such as nanotechnology that have some overlap with biotech, IT, materials sciences, and mechanics, but are not necessarily reducible to some combination of those other fields.

Critically too, as much attention needs to be paid to entrepreneurship by small or first time players and research entities like universities as to already successful and/or serial individual entrepreneurs. Indeed, arguably it is the small inventor and/or entrepreneur who needs the most attention from policy makers – large established entities and/or wealthy serial entrepreneurs already have access to top lawyers and funding that can enable them to navigate through suboptimal IPR regimes. Small inventors and/or entrepreneurs cannot do this. Additionally, an IPR system optimized for established organizations and/or successful serial entrepreneurs may well *not* be particularly suited to small inventors or entrepreneurs. In other words, limiting one’s inquiry to what would help Bill Gates or Craig Venter launch a new entrepreneurial venture does not necessarily tell one what would help the first time inventor or entrepreneur of middle income who has little practical access to expert IPR attorneys. Neither does attempting to mine the recollections of already successful serial entrepreneurs in that, even if their recollections are not shrouded by the haze of memory, the situations they faced years ago are likely quite different from the current environment. Such historical accounts, together with historical accounts of specific technology niches, can be useful in their own way, but not as a substitute for empirical evidence as to what small inventors and entrepreneurs are faced with today. Further, a one time survey or study may quickly become dated. What is needed is an ongoing source of up-to-date information about inventors, entrepreneurs, and IPR.



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Thus, ELC's proposed research program will center on collecting data from clients and other inventors/entrepreneurs in the Seattle area on an ongoing basis. The nature of this study will be longitudinal to track not only what first time inventors and entrepreneurs are thinking and doing about IPR in the course of developing their first venture, but then also tracking how their views and actions may change over the course of that venture (include tracking how well the venture progresses) and even into follow-on ventures. ELC is ideally situated to conduct this study as it already has a steadily increasing flow of inventors and entrepreneurs interacting with it that will continue into the indefinite future. It also has access to inventor and entrepreneur focused ventures like LaunchPad, Center for Innovation and Entrepreneurship (UW Business School), Washington Research Foundation, Washington State Patent Lawyers Association, and Northwest Entrepreneurship Network. In this way, ELC will model teaching and research hospitals that expressly use patient cases as a means to advance not only critical student clinical training, but also clinical research.¹¹² ELC staff have also already contacted directors of other small business and entrepreneurship clinics around the country to lead a consortium of clinics engaged in similar law and entrepreneurship research.

One final point about the nature of the ELC experience for students is also necessary. As entrepreneurship educational and clinical programs continue to emerge around the country, students in them will need to be clear about a fundamental distinction as to what it is they will be learning and doing in them: are they training to *be* entrepreneurs or to *support* entrepreneurs? In most business or management school programs the emphasis, understandably, is on training students to *be* entrepreneurs. Of course, even in the business school environment, some faculty and students may emphasize an interest in acting as business consultants to entrepreneurs. Or they may be training to become venture capitalists or other bankers that may fund entrepreneurs. Even in the latter, though, the line can be blurred as sometimes venture capitalists who take very active

¹¹² ELC is also mindful of human subjects research issues and will comply with all applicable laws and policies regarding collection and use of personal information.

management roles in some of their portfolio companies, or who actively start entrepreneurial ventures that they will also invest in, are referred to as “entrepreneurs” in the media. Similarly, engineering programs that seek to educate students about entrepreneurship, generally focus on training the student to be the entrepreneurs.

Law schools, however, primarily train students to become lawyers, which means that law school entrepreneurship programs and clinics should be training students to *support* or counsel entrepreneurs, not to *be* entrepreneurs. It is not that no law students are interested in becoming entrepreneurs, or that entrepreneurship training would not be helpful even for lawyers considering how to start and run a law practice, but the majority of law students interested in entrepreneurship are interested in being lawyers to entrepreneurs, either as outside counsel, or if the venture grows large enough, in-house counsel. Further, law students who are interested in becoming entrepreneurs are best served by taking entrepreneurship classes at a business school, in addition to the core law school classes that they need to become a lawyer.

Ultimately, law students need not make a hard and fast decision about whether they are going to become lawyers or entrepreneurs – the two are not mutually exclusive. But they do need to be keenly aware of the distinction, especially as a professional responsibility matter, and make a clear election in any particular situation whether they are primarily acting as an entrepreneur or attorney. Certainly a lawyer who begins his own venture as sole owner can act as his own attorney. The issue really arises when a law student or practicing lawyer starts to work with a team of individuals who are starting a business. The tendency is for the student or attorney to be somewhat vague – to himself and to the others – as to what exactly his role is. Meanwhile, the other individuals almost always seem to be relying on the law student or attorney to (also) be the venture’s counsel. It will be hard for the attorney-entrepreneur to be objective about giving legal advice to the venture he is involved in though. The attorney-entrepreneur may also not have the legal expertise to act as general or specific counsel for any and all legal issues that may arise for the venture. He may not even be aware of many of these issues and thus cannot even spot them to then retain expert counsel in the area. In a sole ownership situation, the attorney-entrepreneur hurts only himself, which is not as problematic from a professional responsibility perspective. But, when other founders/entrepreneurs/owners are involved, the attorney’s possible malpractice may have dire consequences for which they did not understand the risk (relying on the attorney-entrepreneur to catch and deal with *any and all* legal issues that might arise). I have observed this to happen the most often with law students who often do not yet quite know what they do not know and are over eager to work with peers from other fields who are starting a venture.

* * *

In conclusion, the ELC supports economic development in the Puget Sound Region through a few different avenues. First, it provides direct legal and business counseling to local microentrepreneurs of low income or in disadvantaged communities. Second, it provides legal services to local non-profits that serve poor or disadvantaged communities in the Region and beyond. Third, it provides direct legal and business counseling to local

high tech entrepreneurs, who are part of Washington State's emphasis on the high tech sector for economic development. Fourth, ELC provides legal and business counseling to UW faculty researchers on behalf of UW TechTransfer and its LaunchPad initiative, supporting yet another key avenue of economic development emphasized by the Washington Economic Development Commission. Fifth, ELC provides hand-on clinical training for the next generation of IPR and other attorneys to support entrepreneurship in the Region. Sixth, ELC partners with CIE at the UW Business School and other entrepreneurship focused programs on campus to provide multi- and inter-disciplinary education and training experiences for students and faculty. All of this constitutes Phase I of the ELC project. The future of ELC lies in Phase II, in which the clinic and its faculty, staff, partners, and students will begin an ambitious research program focusing on the relationship between entrepreneurship and IPR.

PART III: USING THE ELC AS A MODEL FOR BUILDING EFFECTIVE LOW COST IPR & ENTREPRENEURSHIP CLINICS AROUND THE GLOBE

Now that the ELC and its clinic model is well past the proof-of-concept stage and has demonstrated its ability to work smoothly and effectively to assist a wide range of entrepreneurs with quality IPR counseling with very low overhead, other regions could consider adopting its model. The establishment of a similar clinic in regions that strive to promote entrepreneurship of all stripes can provide a spark to prospective entrepreneurs who hesitate to launch their ventures because of legal uncertainties and a lack of access to competent IPR counsel. So long as there is a legal academic institution or school with a faculty member who would be willing to oversee a full or part time director to coordinate activities of students, supervisors, and clients, the ELC model can be easily replicated. In developing markets, there may be a limited number of qualified attorneys to supervise teams. However, this will only mean that a clinic will not have the full scalability of ELC-type clinics. Further, in markets with IPR and legal systems that appear inadequate to support a robust entrepreneurial economy, an ELC-type clinic could use its research program to help entrepreneurs and their lawyers make the most of the system that does exist, as well as perhaps argue for reform of the legal system to better support entrepreneurship. This Part of the Report will outline the basic steps needed to replicate the ELC both around the U.S. and around the world.

In assessing the feasibility of establishing an ELC in a region, the three key elements are: i) an institutional home; ii) qualified supervising attorneys and/or expert faculty member; and iii) students with relevant background training. These three elements will be discussed in turn. The institutional home will most likely be a law school, although of course it is possible to run the program purely for the benefit of clients (and perhaps attorneys for fulfillment of their *pro bono* obligations) and omit the student clinical portion. The latter is more similar to a non-profit that serves entrepreneurs however, and will not be addressed further here.

Accordingly, the first task for establishing an ELC in a region is finding a local law school that has at least some faculty and students interested in entrepreneurship. Once a

school has been identified, a member of the faculty needs to be recruited to oversee the program. It should be stressed to the faculty member that this role will not involve that much of a time commitment and that he or she can go on with much of their current teaching and scholarship agenda. In fact, the school's administration can assist by allowing the faculty member to count their oversight of the ELC as the fulfillment of his or her service to the law school community (i.e., in lieu of committee work and similar administrative chores). The time commitment for the faculty member will mainly vary by the amount of time they want to spend on creating a classroom component for the clinic and whether they would like to supervise any of the student teams. The faculty member will also need to build relationships with the business or management school/department so as to secure management students and faculty supervisors for the teams. But to do bare bones oversight of just law supervisors and their student teams should only take up about 10 hours per month of the faculty member's time. So far, the law school has incurred no costs on its way to establishing an ELC. But it should allow the faculty member to hire a program coordinator who can administer what can become a complex coordination problem as students, supervisors, and clients are brought into the ELC and assigned to each other. If the faculty member has to do this administration by him or herself, then the job could take up to 10-20 hours *per week*. At the same time, it is possible to assign a secretary or other existing staff person to assist the faculty director in coordinating the clinic personnel and scheduling, in which case no new hiring would have to be done, but the administrative person would of course have less time to spend on other non-ELC tasks. The upshot is that the school will likely have to dedicate at least a .5 FTE administrative or professional staff person to work with the faculty member.

Once the law school, faculty member, and program coordinator (if any) are lined up, then the ELC staff must turn to creating a network of local qualified attorneys to supervise the teams. In urban areas with a reasonably well developed business and IPR law bar, this should not present much of a problem if positioned correctly. First and foremost, the law school and clinic staff must make it absolutely clear that the clinic will not encroach upon fee paying work for local attorneys. After that it could draw upon alumni of the school and other qualified local attorneys who have expressed interest in working with, mentoring, or teaching students. Additionally, it can help enormously if the local bar has a *pro bono* obligation.¹¹³ If so, then the ELC staff should work to ensure that some or all of the supervising attorney positions qualify as *pro bono* hours in that jurisdiction. Projects/clients that will not qualify to be treated as *pro bono* should either be kept to the appropriate levels so as to not jeopardize the overall *pro bono* activity status of the clinic, or should be separated off into a different branch of the clinic. It is also key to limit the number and length of supervisory projects for volunteer attorneys to avoid burn out. In smaller markets or rural areas there may be a real scarcity of qualified IPR attorneys.¹¹⁴ This will limit the extent of the possible network of supervising attorneys. At the same time, a law school and its interested faculty members could decide to have the faculty director of the clinic supervise more cases directly. Overall the scalability of the clinic will still be affected, but the clinic may still be able to serve a decent number of local

¹¹³ *Pro bono* requirements from selected jurisdictions are summarized in Appendix 3

¹¹⁴ For example, the entire state of West Virginia has fewer than 25 IPR attorneys, according to Michael Risch, Associate Professor of Law at West Virginia University.

entrepreneurs. Further, it is not inconceivable that the number of IPR attorneys has some rough correlation to the number of inventors and entrepreneurs in the region.

Accordingly, the number of supervising attorneys available may still be sufficient to serve the majority of local inventors and entrepreneurs. Finally, the existence of the clinic itself may have a positive effect on both the number of IPR attorneys (essentially by adding new qualified IPR attorneys to the community as clinic students graduate) and the amount of commercialization of innovation (as more qualified IPR attorneys are able to help inventors and entrepreneurs successfully commercialize innovation). Based on the volunteer nature of the supervising attorneys, the addition of the supervising attorney network from the local practicing bar adds no cost to the ELC, other than perhaps some catered functions or events for the attorneys, such as orientation, appreciation or award parties, etc.

The final element to be added is the students themselves. In some ways, students should be considered at the beginning. If there are too few students taking IPR courses and interested in entrepreneurship, then there is little point in fielding a clinic. One might hope to foster interest among students by creating the clinic, but such interest is more efficiently cultivated by offering practicums or other practice oriented courses short of a full blown clinic. Assuming the clinic is being explored based on sufficient student interest, then the clinic staff must develop criteria for student participation. As opposed to many of the traditional law school clinics whose relevant substantive law consists of topics either covered in first year mandatory law school courses or able to be taught within a few sessions of a classroom component of the clinic itself, an ELC will need students who have already taken at least a basic IPR class, such as Patent Law, plus an advanced counseling, patent prosecution, or transactional/licensing IPR course. The latter may be taken concomitantly with enrollment in the clinic.



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The additional benefit of instituting these pre- and co-requisites is that more clinic classroom time can be spent on lawyering topics, professional responsibility issues, “rounds” in which teams can appraise each other and the faculty director of their projects and progress, and guided reflection on the clinical experience. Successful completion of

the pre-requisite, and enrollment in or prior completion of the co-requisite, should be viewed as necessary but not sufficient for acceptance into the ELC. The ELC staff should devise additional decision criteria such as: student background in business, entrepreneurship, or relevant science, engineering, or technology; student grades and class rankings; interviews with the student; and students professed and/or demonstrated interest in working with entrepreneurs in her career after graduation. At UW Law School, far more students apply for the ELC than can be accommodated at the current time. Thus the ELC staff can be quite selective in admitting students. However, the goal is to keep growing the number of teams such that essentially all qualified students could be given a slot in the ELC at least once in their time at the law school. Other schools instituting an ELC may have far fewer interested, qualified students. However, assuming the school has any such students, the number of teams can then simply be established by the number of students able to staff them.

Schools adopting an ELC must also take care to verify what requirements the clinic and its students need to fulfill to qualify the students to assist in providing legal services to the public. In the U.S., most state attorney licensing bodies have an express provision for student interns, externs, or clerks to engage in a limited practice of law under close supervision of a fully admitted member of the bar.¹¹⁵ It is not entirely clear that the kind of supervised counseling that students give in the ELC rises to the definition of “legal services.” However, because it should still be considered legal advice on which a client might rely, and further because it would be best to characterize the client relationship as one of attorney-client, so that attorney-client confidentiality privilege rules may apply,¹¹⁶ the ELC treats students as providing legal services. Schools forming an ELC are strongly urged to treat their students as providing legal services and comply with all local rules for such student practice. Beyond this compliance with the local bar rules and practices, the clinic should also execute a formal agreement with the students explaining their role and obligations to the client and clinic. A critical component of such an agreement should be a clear confidentiality provision. UW ELC’s student participation agreement is attached as Appendix 4. Schools instituting an ELC that also enrolls business or other non-law students must engage those students’ participation in a different manner from that of the law students. The non-law students do not have to comply with state bar licensing requirements, but they also must then be made very clear that they cannot offer anything that sounds like legal advice, analysis, or counseling to clinic clients. Further, those students must also, of course, execute the student participation agreement. But in their case, the agreement is even more important as it will be the only legal obligation of confidentiality and care to the client – for law students, these obligations come as part of the legal engagement and attorney-client relationship itself.

¹¹⁵ See, e.g., Washington State Bar Association, “Rule 9 Legal Interns: Frequently Asked Questions” available at <http://www.wsba.org/lawyers/licensing/faq-rule9.htm>; Washington State Bar Association, Admission to Practice Rules: Rule 9. Legal Interns, available at <http://www.wsba.org/lawyers/licensing/apr9.pdf>.

¹¹⁶ Note that the existence of the attorney-client privilege in transactional or counseling settings – especially where non-lawyers are privy to the attorney-client communications at issue – is very much a matter of debate. The scope of attorney-client privilege is dictated by the law of the relevant jurisdiction where a clinic is to be established. Some jurisdictions may have no formal privilege at all, much less one for counseling and transactional settings.

Once all of the foregoing has been established, then the clinic can begin to screen and accept clients. Here the main criteria will generally be income and assets of the individual or entity applying for services, absence of active or threatened legal dispute,¹¹⁷ and a brief telephone or in-person interview to assess the individual's stability and seriousness around pursuing an entrepreneurial venture. The income and assets inquiry is especially important to clinics who wish to ensure that supervising attorneys can count their hours as *pro bono*. UW ELC has had no problems finding qualified, serious, and interesting clients. Many of them found their way to the clinic with little to no advertising on the part of the clinic. A good number were actually developed through my own personal connections in the community. In a number of other cases, clients approached me or the ELC based on our respective UW web pages. To the extent that ELC needs to reach out to find other clients, it will do so through various entrepreneurship focused non-profits in the Seattle area, as well as community organizations and economic development agencies. Other schools adopting the ELC model should be able to follow essentially the same path in client development. The screening and application forms for prospective clients are attached as Appendix 5.

In conclusion, the ELC clin-ship model offers a very low cost, yet effective, way to deploy an IPR and entrepreneurship clinic. Such a clinic can be used around the U.S. and around the globe to foster more robust entrepreneurial economies, and hence promote economic development through social justice. The ELC model is highly scalable, with little marginal cost for each expansion. It brings together expert IPR practitioners from the community to supervise law students who aspire to become IPR attorneys and work with entrepreneurs. By focusing on early stage counseling, and limiting regular legal services, the ELC model allows a better complementary rather than competitive relationship with the local bar. Further, the ELC model can provide local IPR practitioners with quality *pro bono* opportunities to fulfill their professional obligations that nonetheless fall within their core area of expertise. Finally, the ELC model can be the basis for ongoing empirical research on the interaction of IPR and entrepreneurship in its community. In turn, this research could be linked with that emanating from other clinics around the country and world to finally provide a far better picture of how entrepreneurs work with the IPR system.

¹¹⁷ Because the ELC model is based on legal and business planning and counseling, with perhaps some transactional services added on, the ELC will not accept any clients who have active or threatened legal disputes as part of their request of representation.

APPENDIX 1: U.S. SMALL BUSINESS CLINICS

Institution	Clinic Name	Service Focus
George Washington University (DC)	Small Business Clinic/Community Economic Development Center	Small business
Northwestern University	Small Business Opportunity Centre	General corporate & business
University of Chicago	Institute for Justice Clinic on Entrepreneurship	Entrepreneurship
University of Colorado	Entrepreneurial Law Clinic	Entrepreneurship
University of Tennessee, Knoxville	Small Business Clinic	Small business
University of Washington (Seattle)	Entrepreneurial Law Clinic (collaborative with Business School)	Entrepreneurship and economic development
Washington University (St. Louis, MO)	IP and Business Formation Legal Clinic	Small business

APPENDIX 2: U.S. IPR CLINICS

Institution	Clinic Name	Service Focus
DePaul University	Technology / Intellectual Property Clinic	Public interest litigation
Franklin Pierce Law Center	Intellectual Property Amicus Clinic	Filing amicus briefs in IPR litigation
Harvard University	Berkman Center – Clinical Program in Cyberlaw	Public interest litigation
Northwestern University	Small Business Opportunity Centre	General corporate & business
Stanford University	Cyberlaw Clinic	Public interest litigation
University of California Berkeley	Samuelson Technology and Public Policy Clinic	Public interest litigation
University of Connecticut	IP law clinic (collaborative initiative with Business School)	Economic Development; Business start-ups
University of Maine	IP Law Clinic	Business – Patents
University of Maryland	IP Law Clinic	High Tech Start-Ups
University of San Francisco	Internet/Intellectual Property Justice Clinic	Public Interest
University of Southern California	Intellectual Property Clinic	Public Interest
University of Washington (Seattle)	Entrepreneurial Law Clinic (collaborative with Business School)	Entrepreneurship and Economic Development
Vanderbilt University	IP and the Arts Clinic	Arts - IPR
American University	The Glushko-Samuelson IP Law Clinic	Public interest litigation; some patent prosecution
George Washington University	Small Business Clinic	Small Business
Washington University (St. Louis, MO)	IP and Business Formation Legal Clinic	Small Business

APPENDIX 3: RESOURCES ON *PRO BONO* OBLIGATIONS FOR SELECT JURISDICTIONS

Australia's National Pro Bono Resource Center *available at*
www.nationalprobono.org.au/target/

- Voluntary target of 35 hours

Article: *How and Why is Pro Bono Flourishing? A Comparison of Recent Developments in Sweden and China*, *available at*
<http://dspace.flinders.edu.au/dspace/handle/2328/1034>.

Article: *The Brussels Pro Bono Project*, *available at*
<http://www.mayerbrown.com/Brussels/community/article.asp?id=1573&nid=3609>

Article: *Pro Bono Publico – lawyers serving the public good in British Columbia*, *available at*
http://www.lawsociety.bc.ca/publications_forms/report-committees/docs/ProBono_02-06.pdf

Article: *The Politics of Pro Bono*, *available at*
<http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1002&context=uclalaw>

Legal Assistance for Africa and Middle East Refugee *available at*
http://www.amera-uk.org/objectives_history.html

Article: *Setting the Pro Bono Pace*, *available at*
http://www.imakenews.com/eletra/mod_print_view.cfm?this_id=698438&u=probono&is_sue_id=000141297&lid=b11&uid=0

- South African Law Society requires 24 hours of pro bono work

Article: *Legal Help on Hand for Poor Joburgers*, *available at*
http://www.joburg.org.za/2007/may/may9_legal.stm

- Describing a pro bono office set up in Africa

First European Pro Bono Forum, *available at*
<http://www.pili.org/en/content/view/523/269/>

IMPORTANT MEMORANDUM : PLEASE READ CAREFULLY
Failure to comply with Clinical Law Program policy may jeopardize your ability to participate in the clinical program

TO: All Students and Faculty in the Gates Hall Clinics
FROM: Clinic Faculty
RE: **CONFLICT OF INTEREST POLICY**
DATE: October 24, 2003 (Amended Sept. 24, 2007)

(Thanks to Peter Joy of Case Western U. Law School for allowing us to use his memo to students on conflicts of interest issues as a model for this one)

"Conflict of interest" is an issue that affects all lawyers regardless of the type of practice they have. As a legal intern in the clinic, we expect you to adhere to the standards of conduct applicable to lawyers in Washington. If you are certified as a Rule 9 intern, you are explicitly held to those rules. See RPC, Rule 9(c). While this memorandum briefly summarizes some of the more important provisions of the Washington Rules of Professional Conduct, you should read the Washington Rules carefully and completely. The Washington Rules of Professional Conduct are attached to this packet and are also found in all of the Washington Rules of Court books located in the clinic library, the Law School library, and on Westlaw and Lexis. You must speak with one of the clinical faculty immediately, if you believe that there is a potential conflict of interest for you in the clinic.

Conflict of Interest Rules

A conflict of interest exists whenever the attorney, any other lawyer with whom the attorney works, or any person represented by the attorney, has interests directly adverse or potentially adverse in any way to the interests of any other client of the attorney, the attorney's office or the attorney personally. Even if the attorney and other lawyers in the attorney's office take action most beneficial to all clients involved, the conflict of interest still exists unless certain steps are taken.

When a conflict or potential conflict of interest arises, an attorney usually has three possible options: (1) inform all interested clients of the present or potential conflict, inform the clients of the possible consequences of the conflict, and continue this multiple representation if the clients give the attorney informed, express (usually written) consent, see RPC 1.7(b)(4); (2) after informing the clients of the conflict, withdraw from representation of one of the clients if withdrawal will sufficiently cure the conflict; or (3) withdraw from the representation of both clients. A fourth option, establishing a

screening mechanism (building a "wall"), may exist in some situations.

Conflict of interest rules are designed to further attorneys' duty of loyalty to their clients and their duty to protect client confidences (RPC 1.6). In addition, the conflicts rules also ensure that the Clinic's resources are not wasted on cases where the Clinic would likely have to withdraw due to a conflict that cannot be cured.

RPC 1.7 (a)(1) and (2) provide that "[a] lawyer shall not represent a client if the representation of that client will be directly adverse to another client" and that "[a] lawyer shall not represent a client if the representation of that client may be materially limited by the lawyer's responsibilities to another client or to a third person, or by the lawyer's own interest." Each provision sets out an exception which requires full disclosure, written consent, and a reasonable belief that the relationship will not be harmed. RPC 1.9 contains a similar requirement as to representing a client in the same or a related case where that person's interest are materially adverse to the interests of a former client. In addition, RPC 1.10 provides that in most cases no member of a firm may represent a client, if one of the firm members cannot do so due to a conflict of interest.

The possibility of even an unintentional leak of client confidences requires the imputed disqualification of law partners and associates, spouse-attorneys, and even other lawyers in office sharing arrangements. See RPC 1.10. Because the clinics in Gates Hall share staff and space, we treat these clinics as one law firm. We therefore must carefully screen for conflicts of interest. For these reasons, the clinic must be extra careful to monitor potential conflicts among students with outside employment, future employment opportunities, or other relationships giving rise to conflicts. (Note that students in the Mediation Clinic do not represent clients. That poses an unresolved question as to whether we must treat the Mediation Clinic the same way as the client-representation clinics. We take the conservative approach of including the parties to mediations in our conflict checking procedures.)

Our Procedures to Avoid Conflicts

To protect ourselves from actual and potential conflicts of interest, it is essential that we all work closely together to monitor potential conflicts. The clinic staff and faculty will attempt to monitor potential conflicts based upon the information you provide to us. You may also be given more information concerning our cases during the quarter to check with your employer. Please consult with a clinical faculty member about any potential conflict situation as soon as you become aware of the potential conflict.

What You Should Do

1. Attached to this memo is a Conflicts of Interest form (Attachment D). If you haven't already turned one in, please do so immediately. If you start new employment while in the clinic, or if any other circumstances reported on the original form change, please complete a New Employment form(Attachment E). Remember that you should let us know of any interviews

you schedule with potential future employers.

2. Ask your employer if the employer's office, or any lawyers in the office, are opposing counsel or otherwise associated with any cases involving the clinic as opposing counsel. If the answer is in the affirmative, please speak with a clinic faculty member immediately. If the answer is in the negative, ask your employer to note your involvement in the clinic and to screen new cases for potential conflicts with the clinic.
3. If you believe that there is an actual or potential conflict because of where you work or worked, speak with a clinical faculty person immediately.
4. Be alert to conflicts of interest issues in performing your initial interviews. The name of the client, all other parties and opposing counsel are important to our conflict screening. Please supplement this information as new information becomes available.
5. If you have any questions concerning our conflict of interest policy, please speak with a clinic faculty person immediately.

What We Do When There are Actual or Potential Conflicts

When there are actual or potential conflicts, protection of the client's rights come first. The second most important consideration is the interest of the legal intern. That means we will decline to represent a potential client if the conflict cannot be resolved with the informed consent of all parties. If we already represent a client and the conflict presents itself due to an intern's employment, then consent or, where applicable, a "wall" may be pursued. Where consent or a "wall" are not possible, then withdrawal of representation or the termination of outside employment may be the only ways to avoid the conflict.

If a legal intern negligently or knowingly fails to identify an actual or potential conflict, that presents us with more limited options and may be a violation of the Washington Rules of Professional Conduct. Please follow the steps outlined in this memorandum, and we will competently and professionally avoid conflicts of interest.

If you have any questions about this memorandum, please speak with your clinic faculty member or raise those questions at a clinic class. If you are reluctant to discuss potential conflicts with your employer for any reason, please speak with a clinical faculty member immediately. Our aims are to protect each client's rights and enable you to participate in a clinic without jeopardizing your employment. As long as these goals can be pursued ethically, no one's interest will be adversely affected. Thank you in advance for your observation of these important procedures.



STUDENT CONFLICTS OF INTEREST FORM

[Use additional sheet if more space is required to answer any question]

1. **Printed First, Middle & Last Name** _____

2. **Clinic** _____

3. **Current Outside Employment (RPC 1.7, 1.10)**

(a) Outside Employer _____

(b) Address of Outside Employer _____

(c) Status with this employer: (i) Rule 9? Yes ____ No ____ (ii) Responsible for individual clients? Yes ____ No ____ .

(d) Area(s) of law employer handles _____

(e) Types of legal work employer handles _____

(f) Major clients of employer _____

4. **Past Outside Employment (RPC 1.9, 1.11, 1.12)**

(a) Past Outside Employer _____

(b) Address of Past Outside Employer _____

(c) Status with this employer: (i) Rule 9? Yes ____ No ____ (ii) Responsible for individual clients? Yes ____ No ____ .

(d) Non-confidential names of clients on whose cases you worked

D

(e) Are there past clients whose names you believe should be kept confidential?

Yes ____ No ____

5. **Office Sharing.** If you work(ed) for an attorney or attorneys who share office space with other attorneys, please list the names of the other attorneys:

6. **Future Employment.** (a) Firms, individual lawyers, or agencies with whom you are seeking employment and have obtained an interview (Names and addresses). Please update throughout the quarter.

(b) Firm, individual lawyer, or agency with whom you have accepted employment to begin in the future (Name and address).

7. **Lawyer Relatives (RPC 1.8(I))**

If your spouse, significant other, sibling, parent, or other close relative is a lawyer, please list his/her name and the name of his/her employer or partners:

8. **Volunteer Activities**

List the names of your volunteer activities that might create a conflict of interest (e.g. boards of directors which you assist, etc.)

9. **Student Mailing Address** _____

Email Address _____ **Phone No.** _____

Signature _____ **Date** _____

I, _____, acknowledge that:

- a) I have received, read and agree to abide by the provisions of the attached:
 - i) Acknowledgement and Acceptance of Ethical Responsibilities
 - ii) Washington State Admission to Practice Rule 9,
 - iii) Washington State Rules of Professional Responsibility and
 - iv) Clinic Conflict of Interest Policy Memorandum.
- b) I have received, accurately completed and submitted a Conflicts of Interest Form which I further agree to update should my circumstances change while a clinic intern; and
- c) I have been advised that any violation of my ethical responsibilities under Washington State Rules of Professional Responsibility and/or this Acknowledgement and Acceptance of Ethical Responsibilities can and may result in:
 - i) disciplinary action by the Washington State Bar Association and/or the University of Washington School of Law,
 - ii) an adverse affect on my ability to be admitted to receive a license to practice law, and/or
 - iii) my dismissal from the Clinic.

Print your Name: _____

Address: _____

Telephone: _____

Email: _____

Signature: _____

Date Signed: _____

ACKNOWLEDGEMENT AND ACCEPTANCE OF ETHICAL RESPONSIBILITIES

Introduction

The Clinical Law Program of the University of Washington School of Law (“Clinic”) is committed to providing high quality legal and dispute resolution services to its clients in a professional and ethical manner. As a law student intern in the Clinic, you will be expected to adhere to the standards of conduct applicable to lawyers in Washington, and in particular those governing the limits of student legal practice, conflicts of interest, client confidentiality, case calendaring and diligence.

All student interns are required to:

- 1) read and adhere to Washington State Admission to Practice Rule 9;
- 2) read and adhere to the Washington State Rules of Professional Responsibility;
- 3) fully and accurately complete and submit the Conflicts of Interest form; and
- 4) sign and submit this Acknowledgement and Acceptance of Ethical Responsibilities document with your supervising faculty member.

Failure to fulfill any of these requirements may result in dismissal from the Clinic.

Applicable Ethical Standards

All student interns are expected to abide by the highest ethical standards governing the practice of law. The conduct of student interns in the first instance is governed by the Washington State Rules of Professional Responsibility (Attachment A, RPCs). In addition, student interns are responsible for reading and abiding by the Rule 9 and the ethical rules of any agencies, tribal courts and other non-Washington courts in which they practice.

Under Washington State Admission to Practice Rule 9 (Attachment B), law students who have completed 90 law school credits are eligible to obtain a limited license to practice law under attorney supervision. This is known as a Rule 9 license. Rule 9 licensed students are afforded many of the privileges, and are bound by the responsibilities and obligations of an attorney admitted to practice in Washington. Rule 9(c) states:

A legal intern shall be authorized to engage in the limited practice of law, in civil and criminal matters, only as authorized by the provisions of this rule. A legal intern shall be subject to the Rules of Professional Conduct and the Rules for Enforcement of Lawyer Conduct as adopted by the Supreme Court and to all other laws and rules governing lawyers admitted to the Bar of this state, and shall be personally responsible for all services performed as an intern.

Upon recommendation of the Disciplinary Board, a legal intern may be precluded from sitting for the bar examination or from being admitted as a member of the Bar Association within the discretion of the Board of Governors. Any such intern barred from the bar examination or from recommendation for admission by the Board of Governors shall have the usual rights of appeal to the Supreme Court.

Many students who are not Rule 9 licensed also participate in the Clinic. Students in our Federal Tax Clinic practice under the authority of the IRS. 2Ls practice before administrative agencies (state and federal) that permit advocacy by non-lawyer representatives. Mediation Clinic students need not be licensed because in their role as mediators they are not engaged in the practice of law. **When this document and other Clinic materials refer to “student intern(s)” the term includes all law students enrolled in a clinic whether Rule 9 licensed or not.**

Sources of authority on legal ethics issues include:

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS (2000), and
NATHAN CRYSTAL, AN INTRODUCTION TO PROFESSIONAL RESPONSIBILITY (1998).

Consult with your faculty supervisor anytime you have questions about your professional responsibilities as a student intern.

Limits of Student Representation

Rule 9 allows student interns to engage in a limited practice of law. You must read, learn and abide by the scope and limitations of Rule 9 practice. These limitations include, but are not limited to, the following: Student Interns may never refer to themselves as an “attorney” or a “lawyer” in speech, in writing or when signing a document or pleading. Instead, always identify yourself and sign papers as:

“Legal Intern” if you are Rule 9 licensed, or
“Law Clerk” if you are not Rule 9 licensed.

However, Federal Tax Clinic students, pursuant to the requirements of IRS regulations, may sign documents and identify themselves as a “student attorney.”

A Rule 9 qualified supervising attorney (generally a licensed Washington State attorney with 3 years practice experience) must sign all pleadings submitted by a student intern and supervise the student intern when making most court appearances. A student intern may not receive payment from a client for the intern’s services.

Consult with your faculty supervisor anytime you have questions about your compliance with Rule 9.

Conflicts of Interest

A conflict of interest exists whenever the attorney, any other lawyer with whom the attorney works, or any person represented by the attorney, has interests directly adverse or potentially adverse in any way to the interests of any other client of the attorney, the attorney's office or the attorney personally. Even if the attorney and other lawyers in the attorney's office take

action most beneficial to all clients involved, the conflict of interest still exists unless certain steps are taken. Mediation clients of a mediator/lawyer are treated in the same manner as a lawyer's legal clients for conflict of interest purposes.

Under Rule 9 student interns are treated as attorneys for conflicts of interest purposes. Therefore, Gates Hall clinic student interns and faculty attorneys will all be treated as members of the same law firm for conflicts issues. More information is provided in the Clinic Conflicts of Interest Policy Memorandum (Attachment C) which summarizes some of the more important provisions of the Washington Rules of Professional Conduct.

To protect our firm from actual and potential conflicts of interest, it is essential that we all work closely together to monitor potential conflicts. Student interns and faculty attorneys submit a Conflicts of Interest form (Attachment D) reporting *inter alia* their past, current and future work for/as attorneys and the clients/cases handled. Staff will enter the conflicts information submitted into the Clinic case management database. Before the Clinic accepts a new case/client the potential client's information is checked against the database to determine if a conflict of interest exists.

While in the Clinic, student interns have a continuing obligation to update their conflicts information on the New Employment form (Attachment E).

Please consult with your clinical supervisor immediately if you become aware of a potential conflict of interest.

Confidentiality

Candor and trust are essential for good client/attorney relationships. The client needs to know and believe that you will maintain what he or she tells you in confidence. Student interns are ethically bound to protect client secrets and confidences under the Rules of Professional Conduct. You must also maintain confidentiality in order to preserve the attorney-client evidentiary privilege. That privilege protects communications between an attorney and client, but it will be deemed waived if persons outside of the attorney-client relationship are privy to the communication. Finally, maintenance of absolute confidentiality is required to protect your work product and the work product of those working for you from discovery.

Discussion of Cases:

You may not discuss your clients or their cases with students, faculty, friends or family outside the clinic except to the extent necessary to perform your duties on client matters. You must also be careful not to breach confidentiality when talking with fellow Clinic students in public places or locations or situations (e.g., cell phone) where you may be overheard.

The clinics within Gates Hall constitute one law firm. Clients of all of the clinics are "yours" and "ours" for confidentiality purposes. Thus, confidentiality is ordinarily not breached when students from different clinics discuss their cases. Because identifying for conflicts is a

complex process in a “firm” composed primarily of students, it is useful to have some on-going, built-in “screens” separating the various clinics.

Under Washington RPC 1.10(e), the imputed disqualification of a firm from representing a client due to one firm member’s previous representation of a client with materially adverse interests may be overcome by screening the personally disqualified lawyer from participation in the matter. That should provide for some protection if for some reason a past-representation type conflict is not identified immediately.

For the time being students should be instructed not to discuss cases with students from other clinics without approval from their supervisor.

File Management:

Confidentiality also requires proper file and document security. Client files may be removed from the Law Clinics only to take to court or to a business meeting. (This may include taking the file home the night before a court appearance, with the approval of your supervisor.) If students need to do work at home, they may copy portions of the file to take with them, so long as they shred the material afterwards.

Otherwise, student interns may not take client case files out of the Clinic --not to your house, not to the computer lab, not even to the library.

Email:

E-mail can be a temptingly convenient way to communicate with your client, your fellow student interns and your supervisor. Email communications however are not secure; they are analogous to cell phone calls, which have potential to be “overheard.” Negative information about a client or the client’s case should never be written in an email.

Student interns using email must in all cases give their clients advanced notice of the potential loss of confidentiality through the use of email communications. All e-mail in connection with client should a) include the word CONFIDENTIAL in the subject matter line, and b) the following confidentiality statement:

“This electronic message transmission contains information which may be privileged or confidential. The information is intended to be for the use of the individual or entity named above. If you are not the intended recipient, please be aware that any disclosure, copying, distributing or use of the contents of this information contained in this email, including all attachments, is not authorized. If you have received this electronic transmission in error, please notify the Clinical Law Program at the University of Washington School of Law by telephone, (206) 543-3434, and delete this email from your computer system.”

If email is exchanged with clients, the client should be instructed to maintain the confidentiality of the email communication.

Before using e-mail to communicate with a client discuss the risks and benefits with your supervisor.

Use of Office Space:

The Clinic is a working law office notwithstanding the fact it is located within a law school facility. Reasonable care must be taken to prevent the disclosure of client confidences, secrets and files. Only the client reception area, interview rooms, and conference room 240 are spaces open to the public. The balance of the clinic space, including the mail/copying room, is to be accessed only by:

- Currently enrolled Clinic student interns
- Clinic faculty
- Clinic staff
- Clients and others participating in a Clinic business meeting in conference room 260 when accompanied by a clinic student intern, faculty or staff.

Student interns may not admit non-Clinic students (study buddies, friends, significant others, etc.) into the non-public areas of the clinic space. Consult with your faculty supervisor if you have questions about admittance to the law clinics.

Use of Outside Computers:

The CLP computers and computer network are provided to prepare and store confidential client information and documents. Students may use outside (non-CLP) computers for client representation work only under the following conditions.

For security and software integrity, non-CLP computers used in the Clinics area may not be connected to any network.

Client work should never be saved on the student's own hard-drive. Instead client work should be saved on the CLP J:drive network which can be accessed remotely by obtaining the U-Wick CD at the University Bookstore or downloading it from the UW C&C website. If necessary, students may save to CD, floppy disk, or a mobile memory unit. When that is done, the CD, disk, or memory unit should be left with the clinic after the student's work in the clinic ends, in order to ensure confidentiality.

Please consult with your clinical supervisor if you have any questions about the proper use of outside computers.

Consult with your faculty supervisor with any questions you have about any aspect of client confidentiality.

Additional resources regarding client confidentiality include:

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 60 (2000) (the American Law Institute's best effort to capture the state of the law about secrets and privilege);

NATHAN CRYSTAL, AN INTRODUCTION TO PROFESSIONAL RESPONSIBILITY, Chapter 4 (1998) (predates the 2002 ABA changes but a good summary for law students); and

Lloyd B. Snyder, *Is Attorney-Client Confidentiality Necessary?*, 15 GEO. J. LEGAL ETHICS 477 (2002) (a critical inquiry into the concept of confidentiality generally).

Case Calendaring

Failure by legal counsel to attend a court proceeding or important client business meeting, or meet a filing deadline can have disastrous consequences for a client's case. In Gates Hall a computer calendaring system employing Amicus Attorney software is available. In addition, all student interns must maintain a portable personal calendar (paper or PDA) for those critical times you are in court or at meetings when future dates are set. Amicus Attorney supports handheld computers which will allow you to sync your Clinic dates.

Student interns have the responsibility to ensure that hearings, meetings and pleading deadlines are properly noted (“calendared”):

- **in Amicus on the supervisor’s calendar,**
- **in the Amicus case file, and**
- **in the responsible student interns’ personal calendars.**

Consult with your faculty supervisor with any questions you have about case calendaring.

Diligence

Lawyers are obliged to act with reasonable diligence and promptness in their legal work for clients. (See RPC 1.3) **Student interns must give their legal work for Clinic clients the highest priority.** Other responsibilities at the law school and/or outside employment are not a valid excuse for poor or non-performance of Clinic client work.

Consult with your faculty supervisor with any questions about what it means to represent your clients diligently.



Entrepreneurial Law Clinic, UW School of Law, Box 353020, Seattle, WA,
98195

Phone: (206) 732-1000 Fax: (206) 616-4510 Email: elc@u.washington.edu

CLIENT APPLICATION 2006-2007

In determining whether an individual is eligible for pro bono legal services, ELC will consider both the individual and the business' income, location, and potential impact on the surrounding community.

Specifically, we will evaluate the following factors:

- Household income
- Access to credit and capital
- Family size
- Benefit to the community

We will take into consideration extenuating circumstances and special needs when evaluating an applicant's income eligibility (i.e. child care, required educational expenses, child support or alimony, special employment expenses or other emergency type financial obligations.)

PART I: GENERAL INFORMATION

Personal Details

Name (First, Middle, Last):

Address:

City: State: Zip:

Home Phone:

Business Phone:

Cell Phone:

E-mail:

Website:

Is English your first language? Yes No

Do you need an interpreter? Yes No

If yes, which language?

Alternative contact in case you are unavailable:

Alt. Contact Name:

Alt. Phone:

Statistical Information

The following personal information is optional and used only for statistics for further funding of our program:

Please check the appropriate spaces:

Race:



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Phone: (206) 737-1000 Fax: (206) 616-4510 Email:

- Asian
- African American
- Latino/Hispanic
- White
- Native American
- Other:

Gender:

- Male
- Female

Age:

We occasionally need to use non-confidential information about our clients and their cases in public relations materials. May we release your name and non-confidential information about your case for such purposes? Yes No

PART II: BUSINESS INFORMATION

Please attach a copy of your business plan.

1. Business Name:
2. Business Address:
3. Briefly, what service or product does your business provide?

Part III: MORE BUSINESS INFORMATION

If you are currently conducting your business, answer as many of the following questions as you can. If not, skip to Part IV.

1. Please attach copies of any formation documents-such as an assumed name certificate, articles of incorporation and bylaws or partnership agreement.
2. Attach a current copy of the balance sheet and profit and loss statement.
3. Are you conducting business as a: (Please check one.)
 - Sole Proprietor
 - Partnership
 - S Corp
 - C Corp
 - LLC
 - Other:
4. When did you start doing business?
5. How many employees do you currently employ?
6. Do you have any outstanding leases? Yes No
If yes, please submit a copy of the lease.
7. Did your business have any revenue last year? Yes No
(a) If yes, what was the total amount? \$



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98195

Phone: (206) 737-1000 Fax: (206) 616-4510 Email:

(b) If yes, what is the revenue for your business to date (total for all years in business)? \$

Part IV. Legal Assistance

1. If you can, briefly describe your legal issues:

2. Have you consulted an attorney concerning any of the above matters?

Yes No

(a) If yes, please provide the name, address and telephone number of the attorney consulted:

(b) Was the attorney paid? Yes No

(c) Why are you not continuing to pursue this matter with the attorney consulted?

3. Have you received any assistance from an organization on starting your own business? Yes No

If yes, please identify the organization:

4. If applicable, please identify the organization/person that referred you to ELC:

PART V: FINANCIAL INFORMATION

1. Dependents (people you support):

a. Number of children:

b. Others (i.e., parents, other relatives):

Explain:

2. Employment

a. Your Employer:

b. Spouse's Employer:

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 98195

Phone: (206) 737-1000 Fax: (206) 616-4510 Email: elc@u.washington.edu

3. Monthly Income Sources (Gross)

Employer (Client)	\$	per month	Bank Account(s)	\$
Employer (Spouse)	\$	per month	Equity in Realty	\$
S.S.I.	\$	per month	Equity in Auto(s)	\$
Pub. Asst. (AFDC/GAU)	\$	per month	Year & Make	
Unemployment Insurance	\$	per month	Stocks & Bonds	\$
Social Security	\$	per month	Cash on Hand	\$
Retirement	\$	per month	Other (Specify)	\$
Other	\$	per month	Other (Specify)	\$
Total Gross Income	\$	per month	Total Assets	\$

4. Please list your monthly expenses (e.g. childcare, medical, transportation, etc.):

5. Please list your debts and indicate whether they are personal or business-related:

6. Is your business being financed in part or in full by a source other than yourself?

Yes No

If yes, by whom? (Examples: family members, friends, banks, grants)

7. Have you applied for any loans to finance your business? Yes No

If yes, from what financial institution(s)?

8. Do you have any partners in your business? Yes No

If yes, list the following:

Name: Total annual gross household income \$

Name: Total annual gross household income \$

Name: Total annual gross household income \$



Entrepreneurial Law Clinic, UW School of Law, Box 353020, Seattle, WA,
98195

Phone: (206) 737-1000 Fax: (206) 616-4510 Email: elc@u.washington.edu

PART VI: CERTIFICATION

I hereby certify that all of the information in this application is true to the best of my knowledge. I understand that ELC may use this information in evaluating my eligibility for free legal services.

By signing this form you are agreeing that the information you provided to ELC may be disclosed to attorneys in efforts to recruit *pro bono* assistance for your business. You also agree that ELC may disclose to its funders non-confidential information about your business.

Signature (or initials, if submitting form electronically):

Date: