

BUREAU OF LAW

MEMORANDUM

TO:

Commissioners Murphy, Macduff & Conlon

FROM:

Solomon Sias, Hearing Officer

SUBJECT:

B. ALEXANDER SINGER and OSCAR CARLBERG, individually and as co-partners d/b/u the firm name and style of:

SINGER, STERN & CARLBERG

1950 Assessment No. B-FA-73559

OSCAR CARLBERG and HANS MEISTER, individually and as co-partners d/b/u the firm name and style of:

SINGER, STERN & CARLBERG

Fiscal year ending 9/30/52
Assessment No. B-FA-73560

OSCAR CARLBERG (now deceased)

1953 Assessment No. B-FA-73556
1954 Assessment No. B-FA-73557
1955 Assessment No. B-FA-73558

Article 16-A

A combined hearing was held at 80 Centre Street, New York, New York, on February 13, 1964 with the consent of the representative for the taxpayers, since common issues of law and fact are involved in all of the above matters. The appearances and exhibits were as indicated in the stenographic transcript of the record.

The taxpayer, Oscar Carlberg, who had filed the applications for revision or refund, died in 1963 and Sadie Carlberg and Alan O. Robinson were appointed executors of his estate. Mortimer H. Tischler, Esq. of the firm of Tischler & Tischler, Esqs., appeared at the hearing representing the Estate of Oscar Carlberg.

The issue involved herein is whether the co-partnerships for the years 1950 and 1952 and the taxpayer, Oscar Carlberg, for the years 1953, 1954 and 1955 were engaged in the practice of a recognized profession so as to exempt the income received from foreign patent and trade mark work from the imposition of unincorporated business taxes in accordance with Section 506, Article 16-A of the Tax Law.

The taxpayer, Oscar Carlberg, was duly admitted and registered as a patent attorney before the United States Patent Office in 1917 and was continually registered with the United States Patent Office from 1917 through 1955. Mr. Carlberg was covered as a licensed practitioner under the Grandfather Clause, which at one particular time did not require an attorney or member of the bar to be registered with the patent office in order to practice as a patent attorney of patent agent.

B. Alexander Singer was admitted to practice before the United States Patent Office in the same manner as Oscar Carlberg. Hans Meister was not registered as a patent attorney with the United States Patent Office. None of the above mentioned individuals (Carlberg, Singer and Meister) was ever admitted as an attorney to engage in the practice of law.

During the years 1953 through 1955, Oscar Carlberg maintained an office at 405 Lexington Avenue, New York City, N. Y., where he conducted business using the name of Singer, Stern & Carlberg by agreement and permission of the other partners (now deceased). A certificate of doing business was filed in the New York County Clerk's office. The activities of the co-partnerships and that of Oscar Carlberg, during the years in question, were restricted to the cooperation with other attorneys for the purpose of acquiring and maintaining foreign trade marks and patents (Minutes of Hearing, Page 10). The attorney for the taxpayer Oscar Carlberg has conceded that the taxpayers were exclusively engaged in foreign patent and trade mark work.

Prior to 1960, rule 541 of the Rules of Practice of the United States Patent Office, subdivision (a) provided that:

"Any attorney at law in good standing admitted to practice before any United States Court or the highest court of any State or Territory of the United States who fulfills the requirements and complies with the provisions of these rules may be admitted to practice before the Patent Office and have his name entered on the register of attorneys."

Subdivision (b) of said rule provides that:

"Any citizen of the United States not an attorney at law who fulfills the requirements and complies with the provision of these rules may be admitted to practice before the Patent Office and have his name entered on the register of agents."

Subdivision (c) of said rule provides that:

"No person will be admitted to practice and registered unless he shall apply to the Commissioner of Patents in writing on a prescribed form supplied by the Commissioner and furnish all requested information and material; and shall establish to the satisfaction of the Commissioner that he is of good moral character and of good repute and possessed of the legal and scientific and technical qualifications necessary to enable him to render applicants for patents valuable service, and is otherwise competent to advise and assist them in the presentation and prosecution of their applications before the Patent Office. In order that the Commissioner may determine whether a person seeking to have his name placed upon either of the registers has the qualifications specified, satisfactory proof of good moral character and repute, and of sufficient basic training in scientific and technical matters must be submitted and an examination which is held from time to time must be taken and passed."

Rule 344 of the Rules of Practice of the United States Patent Office provides that:

"Attorneys and agents appearing before the Patent Office must conform to the standards of ethical and professional conduct generally applicable to attorneys before the courts of the United States."

In the Matter of New York County Lawyers Association (Real), 3 N. Y. 2d 224, appeal dismissed 385 U.S. 604, which was a proceeding involving the unauthorized practice of the law brought against a lawyer admitted to practice in Mexico, but not in New York, the Court of Appeals at Page 229 stated:

"Whether a person gives advice as to New York Law, Federal Law, the law of a sister State, or the law

of a foreign country, he is giving legal advice. Likewise, when legal documents are prepared for a layman by a person in the business of preparing such documents, that person is practicing law whether the documents be prepared in conformity with the law of New York or any other law. To hold otherwise would be to state that a member of the New York Bar only practices law when he deals with local law, a manifestly anomalous statement.

"This result accords with that reached in Matter of Degen (170 App. Div. 618) where attorneys assisting a Delaware corporation in filling out forms in connection with the incorporation of three companies under Delaware law were found guilty of aiding the corporation in its illegal practice of law (see, also, Matter of New York County Lawyers Assn. (Anonymous), 207 Misc. 698)."

The Court further stated on Page 232, as follows:

"When counsel who are admitted to the Bar of this State are retained in a matter involving foreign law, they are responsible to the client for the proper conduct of the matter, and may not claim that they are not required to know the law of the foreign State (Degen v. Steingrinn, 202 App. Div. 477, affd. 236 N.Y. 669). Moreover, the conduct of attorneys admitted here may be regulated by our courts (Matter of Gange-Franco, 274 App. Div. 56; Matter of Anonymous, 274 App. Div. 89; see Caldwell v. Caldwell, 298 N.Y. 146, 174), and dealt with when they engage in unethical practices;A foreign law specialist, on the other hand, is not subject to discipline; he need not be a lawyer of any jurisdiction; he may be without good character; and his activities may not even be regulated under the present state of the law."

In Law Bureau memoranda of June 15, 1962 and November 27, 1962 with regard to the Matter of Langer, Parry, Card and Langer it was decided that said firm was subject to unincorporated business tax since it was only engaged in foreign patent and trade mark work.

Within the meaning of the Unincorporated Business Tax Law, the patent agent or attorney admitted before the United States

Patent Office as regards work before that office still meets the standards for the professional exemption. The United States Patent Office requires a law degree or an engineering or science degree or substitute experience to qualify for the admission examination. Also, under the rules of practice of the Patent Office registered attorneys and agents must conform to the standards of ethical and professional conduct generally applicable to attorneys before the courts of the United States. The patent agent's work in the foreign field does not meet these essential characteristics of a profession. Anyone can enter the foreign field. There is no regulation as to who can engage in that activity and there is no enforceable code of ethics. A patent attorney or agent duly registered to practice before the United States Patent Office who is not admitted to practice law is entitled to the professional exemption only to the extent of income received from practice before the United States Patent Office but income received by him from foreign patent and trade mark work is subject to unincorporated business tax.

In Sperry v. Florida, 10 L. ed. 2d 428, the United States Supreme Court held that a practitioner registered to practice before the United States Patent Office, who is a non-lawyer, could not be enjoined from preparing and prosecuting patent applications on the ground that such activities constitute the illegal practice of law in the State of Florida, since the law of a state must yield when incompatible with federal legislation and the Federal Constitution.

This case is not applicable since in the instant matter the issue involved the practice of foreign patents and trademarks not regulated by the United States Patent Office.

I am of the opinion, therefore, that the income of the taxpayers from foreign patent and trade mark work should be held taxable in accordance with Section 386, Article 16-A of the Tax Law.

For the reasons stated above, I recommend that the determinations of the Tax Commission in the above matters be substantially in the form submitted herewith.

Hearing Officer

SS:lb

Feb 16, 1967

/s/

M. SCHAPIRO

Approved

/s/

S. HECKELMAN

Approved

STATE OF NEW YORK
STATE TAX COMMISSION

IN THE MATTER OF THE APPLICATION
OF

B. ALEXANDER SINGER (now
deceased) and OSCAR CARLBERG
(now deceased), individually
and as co-partners d/b/a the
firm name and style of:

SINGER, STERN & CARLBERG

FOR REVISION OR REFUND OF UNINCORPORATED
BUSINESS TAXES UNDER ARTICLE 16-A OF THE
TAX LAW FOR THE YEAR 1950,

The taxpayer, Oscar Carlberg, having filed an application for revision or refund of unincorporated business taxes under Article 16-A of the Tax Law for the year 1950 and a hearing having been held in connection therewith at the office of the State Tax Commission at 30 Centre Street, New York City, N. Y., on the 13th day of February, 1964 before Solomon Sles, Hearing Officer of the Department of Taxation and Finance, at which hearing the taxpayer was represented by the firm of Tischler & Tischler, Esqs., 295 Madison Avenue, New York City, N. Y. by Mortimer E. Tischler, Esq., Of Counsel, and the matter having been duly examined and considered,

The State Tax Commission hereby finds:

(1) That during the year 1950, Oscar Carlberg and B. Alexander Singer were co-partners doing business under the firm name and style of Singer, Stern & Carlberg at 405 Lexington Avenue, City and State of New York; that although New York State Partnership Return was filed for the year 1950, no unincorporated business tax return was filed nor were unincorporated business

taxes paid; that on February 6, 1958 an assessment was made against the taxpayers (Assessment No. FA-73559) holding that the activities of the co-partnership constituted the carrying on of an unincorporated business subject to unincorporated business tax.

(2) That the taxpayer, Oscar Carlberg, was duly admitted and registered as a patent attorney before the United States Patent Office on June 2, 1917 and was continually registered with the United States Patent Office as a patent attorney for the period from 1917 through and including December 31, 1955; that the taxpayer, E. Alexander Singer, was admitted to practice before the United States Patent Office in the same manner as Oscar Carlberg; that neither Oscar Carlberg nor E. Alexander Singer was ever admitted as an attorney to practice law before the United States Courts or the highest courts of any State or Territory of the United States.

(3) That the firm of Oscar Carlberg and E. Alexander Singer doing business as Singer, Stern & Carlberg during the year 1950 was exclusively engaged in foreign patent and trademark work and that its income during the aforesaid period was derived solely from such work; that the activities of the taxpayers in foreign patent and foreign trademark work do not fall within the jurisdiction of the United States Patent Office.

Based upon the foregoing findings and all of the evidence presented herein, the State Tax Commission hereby

DETERMINE:

(A) That the activities of the taxpayers during the year 1950 do not constitute the practice of a recognized profession so as to exclude the income derived therefrom from the imposition of unincorporated business taxes; that the activities of the taxpayers as set forth in Finding No. (3) above, during the aforementioned year constituted the carrying

on of an unincorporated business within the intent and meaning of Section 386, Article 16-A of the Tax Law.

(B) That, accordingly, the assessment (Assessment No. PA-73559) is correct; that said assessment does not include any tax or other charge which could not have been lawfully demanded and that the taxpayer's application for revision or refund with respect to said assessment be and the same is hereby denied.

DATED: Albany, New York on the 3rd day of March , 1967 .

STATE TAX COMMISSION

/s/

JOSEPH H. MURPHY

Commissioner

/s/

JAMES R. MACDUFF

Commissioner

/s/

WALTER MACLYN CONLON

Commissioner