

## **Ethics in IP Practice**

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## 1. Choice of Law

### a. Choice of Law for Discipline and Ethics

This paper discusses ethical and privilege issues. Different choice of law analyses may be required for those issues, and under particular facts, the required analysis may differ from what is presented here.

The first ethical issue discussed in this paper is the duty of a lawyer to not engage in the unauthorized practice of law, to ensure others are not doing so, and to supervise non-lawyers working on behalf of the lawyer when they are doing so, or to be supervised when the lawyer is doing so. Those related issues typically would arise in a disciplinary proceeding, an issue where the unauthorized practice of law is alleged, in a fight over privilege, or in a malpractice suit.

A disciplinary proceeding could be brought by a state bar or the Office of Enrollment and Discipline (“OED”) at the United States Patent & Trademark Office (“USPTO”). As the following shows, no matter which forum a disciplinary proceeding is brought in, the OED or a state bar should apply the same set of rules, but only if the conduct consists of practicing before the USPTO.

As for the OED, its disciplinary authority is stated in this rule:

All practitioners engaged in practice before the Office... are subject to the disciplinary jurisdiction of the Office.... A person not registered or recognized to practice before the Office is also subject to the disciplinary authority of the Office if the person provides or offers to provide any legal services before the Office.

“Proceeding before the Office” is defined: “Proceeding before the Office means an application for patent, an application for reissue, a reexamination, a protest, a public use matter, an inter partes patent matter, correction of a patent, correction of inventorship, an application to register a trademark, an inter partes trademark matter, an appeal, a petition, and any other matter that is pending before the Office.”

So, plainly a patent practitioner who is involved in a proceeding before the Office can be disciplined by the OED. The OED has authority to do so, even if, according to its regulations, the conduct does not occur before the Office. Specifically, the OED regulations state:

The following, whether done individually by a practitioner or in concert with any other person or persons and *whether or not* done in the course of providing legal services to a client, *or in a matter pending before the Office*, constitute grounds for discipline or grounds for transfer to disability inactive status.

- (1) Grounds for discipline include:
  - (i) Conviction of a serious crime;
  - (ii) Discipline on ethical grounds imposed in another jurisdiction or disciplinary disqualification from participating in or appearing before any Federal program or agency;
  - (iii) Failure to comply with any order of a Court disciplining a practitioner, or any final

- decision of the USPTO Director in a disciplinary matter;
- (iv) Violation of any USPTO Rule of Professional Conduct; or
- (v) Violation of the oath or declaration taken by the practitioner. See § 11.8.

37 C.F.R 11.19(b) (emph. added).<sup>1</sup>

So, unless there has been a criminal conviction, discipline by a jurisdiction on ethical grounds (and so “reciprocal discipline” by the USPTO may be in order), disciplinary disqualification by a federal agency, violation of an disciplinary order of a court or USPTO, or violation of a declaration (presumably meaning perjury or something like it), the OED can discipline a practitioner only by establishing violation of an USPTO Rule. However, ostensibly at least, the conduct can occur when the practitioner is not conducting business before the USPTO. So, for example, a practitioner who robs a bank can be disciplined because certain rules apply to all of a practitioner’s conduct, not only that involving representation of a client.

What if a state bar sought to discipline a lawyer for conduct occurring before the Office? Like the USPTO’s position, most state bars assert power to discipline a lawyer for conduct no matter where it occurs. Unlike the USPTO, however, most states have choice of law rules that apply specifically to discipline. While they vary, the most common ones follow ABA Model Rule of Professional Conduct 8.5. That rule gives a state bar authority to discipline a lawyer no matter where the conduct occurs, but helps identify which rules apply to particular conduct. Model Rule 8.5(b), as adopted by many states, provides:

In any exercise of the disciplinary authority of this jurisdiction, the rules of professional conduct to be applied shall be as follows:

- (1) *for conduct in connection with a matter pending before a tribunal*, the rules of the jurisdiction in which the tribunal sits, unless the rules of the tribunal provide otherwise; and
- (2) *for any other conduct*, the rules of the jurisdiction in which the lawyer’s conduct occurred, or, if the predominant effect of the conduct is in a different jurisdiction, the rules of that jurisdiction shall be applied to the conduct. A lawyer shall not be subject to discipline if the lawyer’s conduct conforms to the rules of a jurisdiction in which the lawyer reasonably believes the predominant effect of the lawyer’s conduct will occur.

The USPTO Rules define it as a “tribunal.” Significantly, (a) some states have rules that say that a lawyer must *appear* in the tribunal for subpart (a) to apply, and (b) complex problems arise if the matter is not pending, such as activities occurring before a patent application is filed. For opinions discussing this and related choice of law issues in the USPTO context, see Conn. Informal Eth. Opinion 2021-02 (Use of a Vendor in Connection with Filing a Patent Application) (March 17, 2021); N.Y. St. B. Ass’n. Comm. Prof. Eth. Op. 1166 (May 7, 2019); Va. Legal Eth. Op. 1843 (2007); Conn. Informal Eth. Op. 2012-02 (In-House Lawyer Representing Joint-Venture Corporations in Connection with a Patent Application) (Jan. 17, 2012).

To conclude, at least once a matter is pending before the USPTO and in most states, a

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<sup>1</sup> In the mid-1980s, the USPTO in response to comments to proposed rules repeatedly stated it would not, and was not seeking to, regulate anything but practice before the Office.

practitioner can rely solely upon the USPTO Rules to determine what is “ethical” or not, in terms of discipline. Finally, if state law somehow does apply to conduct about a matter pending before the USPTO, then it may be that a preemption analysis is required, because the USPTO Rules only narrowly preempt state law to the contrary.

With respect to malpractice, many states hold that breach of an applicable rule is admissible, but to varying extents. Usually, states provide that breach of an applicable rule can be evidence of breach of the standard of care. *See generally*, Stephen E. Kalish, *How to Encourage Lawyers to Be Ethical: Do Not Use the Ethics Codes as a Basis for Regular Law Decisions*, 13 GEO. J. LEGAL ETHICS 649 (2000). A court in a malpractice case that allows admission of such evidence should, for obvious reasons, follow the analysis above.

#### **b. Choice of Law for Privilege**

Attorney-client privilege is simply a rule about admissibility. In federal court, in federal question cases federal law determines whether a privilege exists. That analysis begins with Rule 501 of the Federal Rules of Evidence, which states:

The common law—as interpreted by United States courts in the light of reason and experience—governs a claim of privilege unless any of the following provides otherwise:

- the United States Constitution;
- a federal statute; or
- rules prescribed by the Supreme Court.

But in a civil case, state law governs privilege regarding a claim or defense for which state law supplies the rule of decision.

Fed. R. Evid. 501.

Thus, unless state law applies, federal common law determines the existence and scope of a privilege turns on federal common law. Importantly, the advisory committee notes state that for Federal Question claims, “federally evolved rules on privilege should apply since it is Federal policy which is being enforced,” and, further, that “Federal law of privilege should be applied with respect to pendent State law claims...” This rule is stated to be substantive, not procedural, and so it “overrides” state law to the contrary.

However, under some circumstances simply because information is privileged in one forum does not mean it will be in another: the Restatement of Law provides that admissibility is generally governed by the law of the forum, but that other factors may require that the forum court may nonetheless admit evidence that is privileged in another forum, or exclude evidence that, while not privileged under the law of the other forum, is privileged in the form. Specifically, it provides:

#### § 138. Evidence

The local law of the forum determines the admissibility of evidence, except as stated in §§ 139-141....

#### § 139. Privileged Communications

(1) Evidence that is not privileged under the local law of the state which has the most significant relationship with the communication will be admitted, even though it would be privileged under the local law of the forum, unless the admission of such evidence would be contrary to the strong public policy of the forum.

(2) Evidence that is privileged under the local law of the state which has the most significant relationship with the communication but which is not privileged under the local law of the forum will be admitted unless there is some special reason why the forum policy favoring admission should not be given effect.

To clear away the underbrush, evidence that is privileged in both jurisdictions will not be admissible; evidence that is not privileged in both jurisdictions will be admissible. Where the two bodies of law disagree, a policy analysis is required:

	Evidence is not privileged under law of forum state	Evidence is privileged under law of forum state
Evidence is not privileged under law of state with most significant relationship	Admissible	Admitted unless contrary to strong public policy of forum state.
Evidence is privileged under law of state with most significant relationship	Admitted unless special reason why forum policy favoring admission should not be given effect.	Not admissible

Because of its nationwide power and authority, the Federal Circuit held that its law applies to privilege questions in patent prosecution. While regional circuit law applies generally, Federal Circuit law applies to “patent” issues. See *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360, 50 U.S.P.Q.2d 1672 (Fed. Cir. 1999), *overruled on other grounds*, *Zoltek Corp. v. United States*, 672 F.3d 1309, 102 U.S.P.Q.2d 1001 (Fed. Cir. 2012) (en banc). More specifically, the Federal Circuit applies regional circuit law to procedural matters “that are not unique to patent issues,” but it applies its own law to procedural matters that “are related to patent issues.” *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574–75, 223 U.S.P.Q. 465 (Fed. Cir. 1984).

The Federal Circuit has held that its law applies to whether documents prepared for patent prosecution are privileged. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000). Likewise, the split panel in *In re Queen’s Univ.*, 820 F.3d 1287 (Fed. Cir. 2016) held that privilege over patent agent-client communications are governed by Federal Circuit law. The reason it held that Federal Circuit law applies to whether there is, and if so, the communications are covered by patent agent-client privilege is because patent law determined whether the documents would be “relevant” to an issue in a patent case. Specifically, it stated:

Applying these standards, we have held that we apply our own law when deciding whether particular documents are discoverable in a patent case because they relate to issues of validity and infringement. We have also held that we apply our own law when making a determination of the applicability of the attorney-client privilege to a party’s invention record because it clearly implicates, at the very least, the substantive patent issue of inequitable conduct.

Similarly, this case involves the applicability of privilege for a patentee's communications with a non-attorney patent agent regarding prosecution of the patents-in-suit. Those types of communications are potentially relevant to numerous substantive issues of patent law, including claim construction, validity, and inequitable conduct. Accordingly, we apply our own law.

*Id.* (citations, quotations, and various alterations omitted).

However, the Federal Circuit has yet to address the subsection of the Restatement concerning choice of law discussed above. The comment states: "The state which has the most significant relationship with a communication will usually be the state where the communication took place, which, as used in the rule of this Section, is the state where an oral interchange between persons occurred, where a written statement was received or where an inspection was made of a person or thing."

The Restatement favors admission of the evidence unless "some special reason" not to admit it exists and identifies four factors to consider when determining admissibility: number and nature of contacts of the forum with the parties or transaction, materiality of the evidence, kind of privilege, and fairness to the parties. *See id.* § 139 cmt. d. It goes on to explain that "the forum will be more inclined to give effect to a foreign privilege that is well established and recognized in many states," and if the privilege "was probably relied upon by the parties." *See Ford Motor Co. v. Leggatt*, 904 S.W2d 643 (Tex. 1995) (holding that evidence not privileged under Texas law, but was under state with most significant relationship, would be excluded). *Cf. Gonzalez v. State*, 45 S.W.3d 101 (Tex. Crim. App. 2001) (holding evidence that was not privileged under California law would be admitted because there was no overriding Texas policy favoring exclusion). The issue of identifying "the local state" with significant relationship is difficult to apply in the context of patent prosecution since the Restatement factors identifying which "state" has the most significant relationship do not transfer well to that context.

The argument that federal law should apply seems strong if "the communication at issue is between individuals foreign to the forum, whose relationship is centered outside of the forum, and whose communications regard subject matter not centered in the forum, a special reason exist for not apply the law of the forum and the law of the state with the most significant relationship to the communication should be applied." *In re Yasmin and Yaz (Drospirenone) Marketing, Sales Practices and Prods. Liability Litig.*, 2011 WL 1375011 (S.D. Ill. Apr. 12, 2011).

In addition, related issues support the notion that a "special reason" exists to apply federal privilege law. For example, whether documents prepared in anticipation of federal litigation are discoverable as "work product" in state court litigation turns on federal law, not state law. *N.H. Right to Life v. Director, N.H. Charitable Trusts Unit*, 143 A.3d 829 (N.H. 2016) (as a matter of comity, applying federal work product law). Likewise if privilege exists under federal common law with respect to a federal claim, it applies to "pendent" state law claims. *Memorial Hosp. for McHenry Cnty. v. Shadur*, 664 F.2d 1058, 1061 n. 3 (7<sup>th</sup> Cir. 1981).

For a lengthy summary of cases addressing privilege including choice of law in the privilege context, including international issues, see Thomas E. Spahn, *Key Attorney-Client Privilege and Work Product Doctrine Issues: Recent Caselaw*, VCCJ0505 ALI-CLE 1 (May 5, 2021). *See Anwar v. Fairfield*

*Greenwich Ltd.*, 982 F. Supp.2d 260 (S.D.N.Y. 2013); *Veleron Holding B.V. v. BNP Paribas SA*, 2014 WL 4184806 (S.D.N.Y. Aug. 22, 2014).

## 2. Pre-Suit Investigations and Other Recurring Violations of Rules 4.2 and 4.3

### a. Overview of Model Rules 4.2 and 4.3

A lawyer is required to conduct an adequate pre-suit investigation (or pre-answer investigation) under Fed. R. Civ. P. 11. That requirement can be undermined by Model Rule 4.2, which prohibits communicating with a person known to be represented by counsel in a “matter” because a “matter” can exist before a suit is filed. It can prevent gaining information in a “false” way when falsity is, as a practical matter, necessary to ferret out infringement, particularly in the trademark context.

Model Rule 4.2 provides:

In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order.

At least four policy goals underpin Rule 4.2, including: (1) “to prevent attorneys from exploiting the disparity in legal skills between the attorney and lay people”; (2) “to preserve the integrity of the attorney-client relationship”; (3) “to prevent inadvertent disclosure of privileged information”; and (4) “to facilitate settlement by channeling disputes through lawyers accustomed to the negotiation process.” *Moore v. Club Exploria, LLC*, 19-CV-2504, 2021 WL 260227, at \*3 (N.D. Ill. Jan. 26, 2021) (quoting *Kole v. Loyola Univ. of Chicago*, No. 95 C 1223, 1997 WL 47454, at \*4 (N.D. Ill. Jan. 30, 1997) (citing *Polycast Technology v. Uniroyal, Inc.*, 129 F.R.D. 621, 625 (S.D.N.Y. 1990)).

A comment makes clear that *former* employees are not “represented by counsel,” (*id.* cmt. 7), but some employees are, and the definition of who is represented by counsel who is representing an entity may cover employees who likely have information a lawyer needs to comply with Rule 11. Specifically, the same comment states:

In the case of a represented organization, this Rule prohibits communications with a constituent of the organization [1] who supervises, directs or regularly consults with the organization’s lawyer concerning the matter or [2] has authority to obligate the organization with respect to the matter or [3] whose act or omission in connection with the matter may be imputed to the organization for purposes of civil or criminal liability.

Because a “matter” can exist before suit is filed, and investigations are “authorized by law” only when conducted by the government (*id.* cmt. 5), motion practice in IP cases is abundant. *See Dareltech, LLC v. Xiaomi Inc.*, 2019 WL 10966202 (S.D.N.Y. Apr. 11, 2019); *Bacote v. Riverbay Corp.*, 2017 WL 945103 (S.D.N.Y. March 10, 2017); *Freeman Equip., Inc. v. Caterpillar, Inc.*, 262 F.Supp.3d 631 (D. Ill. 2017); *Eldredge v. City of St. Paul*, 2010 WL 11561317 (D. Minn. Sept. 29, 2010); *Aberle v. Polaris Indus., Inc.*, 2008 WL 11505998 (S.D. Aug. 7, 2008). *See also, Scranton Prods., Inc. v. Bobrick Washbroom Equip., Inc.*, 190 F.Supp.3d 419 (M.D. Pa. 2016) (in-house counsel acted dishonestly by not disclosing presence on conference call). *See generally*, Rebecca Aviel & Alan K. Chen, *Lawyer Speech, Investigative Deception, and the First Amendment*, 2021 U. Ill. L. Rev. 1267 (2021); Joseph G. Michaels, *Lanful*

*Investigative Activities and Rule 8.4(c)*, 48-June Colo. Law. 36 (2019); Matthew D. Kohel & Emmitt F. Kellar, *IP Enforcement and the Ethics of Test Buying*, 14 No. 1 In-House Def. Q. 28 (2019); Susan Upton Douglass, *In All Honesty: How to Navigate Ethical Issues in Trademark Investigations*, 20170424A NYCBAR 398 (Apr. 24, 2017); Michael W. Wenman, *Conflict Between Pretexting in M&A Investigative Due Diligence and the ABA Model Rules of Ethics*, 93 Denv. L. Rev. Online 423 (2016); Forrest Plesko, *On the Ethical Use of Private Investigators*, 92 Denv. L. Rev. Online 157 (2015); Rachel L. Camaggio, *Pretext Investigations: An Ethical Dilemma for IP Attorneys*, 43-June Colo. L. 41 (June 2014); Brian S. Faughnan, *The Ethics of Working with the I.P., P.I.*, 4 No. 4 Landslide 41 (Apr./May 2012); Phillip Barengolts, *The Ethics of Deception: Pretext Investigation in Trademark Cases*, 6 Akron Intell. Prop. L.J. 1 (2012).

The comments state that “A lawyer may not make a communication prohibited by this Rule through the acts of another,” such as a private investigator. *Id.* cmt. 5. Thus, a lawyer violates this rule by assisting someone to violate it. *See Allstate Ins. Co. v. Inscribed PLLC*, 571 F. Supp.3d 823 (2021). Thus, a lawyer who implicitly or explicitly instructs an expert to discuss a matter with a represented person can violate the rule. *See Eno v. Forest River Inc.*, 2021 WL 6428634 (Aug. 19, 2021); *United States ex rel. Fesenmaier v. Cameron-Ehlen Grp., Inc.*, 442 F. Supp. 3d 1101, 1105 (D. Minn. 2020); *Midwest Motor Sports v. Arctic Sales, Inc.*, 347 F.3d 693 (8th Cir. 2003) (misconduct by retained private investigator imputed to supervising attorneys); *State v. Miller*, 600 N.W.2d 457, 464 (Minn. 1999) (misconduct by police detective imputed to prosecutor who directed and ratified detective's conduct).

Courts emphasize that a violation can occur “even in brief and insignificant encounters” with a person represented by counsel. *Allstate Ins. Co. v. Inscribed PLLC*, 571 F. Supp.3d 823 (2021).

Significantly, Model Rule 4.2 is not expressly limited to communications that are *ex parte* in nature. *See Turner Ins. Agency, Inc. v. Farmland Partners Inc.*, 2021 WL 2551355 (D. Colo. June 7, 2021). Courts reason, however, that presence of the person’s lawyer “theoretically neutralizes any undue influence.” *Turner Ins. Agency, Inc. v. Farmland Partners Inc.*, 2021 WL 2551403, at \*12 (D. Colo. Mar. 17, 2021), report and recommendation adopted, WL 2551355 (D. Colo. June 7, 2021) (quoting *Lobato v. Ford*, 2007 WL 3342598 (D. Colo. Nov. 9, 2007). *See Roe v. Karval Sch. Dis. RE23*, 2013 WL 1509126, at \*2 (D. Colo. Apr. 12, 2013).

Government attorneys under some circumstances are permitted to communicate with a person who is represented by counsel under the “authorized by law” exception. Specifically, “government attorneys and investigators are not prohibited from having ex parte contact with an investigatory target who has retained counsel but has not been charged with a crime.” *United States ex rel. Fesenmaier v. Cameron-Ehlen Grp., Inc.*, 442 F. Supp. 3d 1101, 1106 (D. Minn. 2020). *See, e.g., United States v. Plumley*, 207 F.3d 1086, 1095 (8th Cir. 2000) (collecting cases); *State v. Miller*, 600 N.W.2d 457, 467 (Minn. 1999) (recognizing that “the ‘authorized by law’ exception to MRPC 4.2 ... mean[s] that legitimate investigative processes may go forward without violating MRPC 4.2 even when the target of the investigation is represented by counsel”).

For private practice, the “prevailing understanding in the legal profession is that a public or private lawyer’s use of an undercover investigator to detect ongoing violations of the law is not ethically proscribed, especially where it would be difficult to discover the violations by other means.”<sup>57</sup>

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<sup>57</sup>*Turfgrass Group, Inc. v. Northeast La. Turf Farms, LLC*, 2013 U.S. Dist. LEXIS 166570 (W.D. La. Nov. 20, 2013) (quoting *Cartier v. Symbolix, Inc.*, 386 F. Supp. 2d 354, 362 (S.D.N.Y. 2005)).

Even so, the cases are split, as are the commentators.<sup>58</sup> As next shown, in two courts have found violations of Rule 4.2 where the contact occurred after litigation had commenced. A third found a violation where the contact occurred beforehand. A final case provides interesting guidance on how Internet contacts play into this issue.

In the case involving a pre-suit investigation, *Penda Corp. v. STK, LLC*,<sup>59</sup> a lawyer contemplating a patent infringement suit asked his paralegal to make calls to determine whether, for purposes of venue, infringing sales were occurring in the district. The paralegal, on her own, decided to say that her husband was looking for the product—a bedliner for a pick-up truck—when she made the calls. The court held that the customer service manager that the paralegal contacted was a person “represented by counsel” because he could make admissions against his corporate employer. The court held that her contacts were covered by Rule 4.2—even though they occurred prior to filing suit—and excluded evidence as a result of the violation.

There are also two cases where the contact occurred afterward. In the first, *Midwest Motor Sports, Inc. v. Arctic Cat Sales, Inc.*,<sup>60</sup> the defendants had hired an undercover investigator to pose as ordinary consumers and attempt to purchase snowmobiles that they were not authorized to sell. In deciding that Rule 4.2 had been violated, the court held that the contacts with the defendant’s owner, made for the purpose of obtaining admissions, violated Rule 4.2’s prohibition against contacts with “represented persons.”

A similar result was reached in a 2007 patent case decided by Judge Robinson of Delaware.<sup>61</sup> After suit had been filed, the law firm representing a patentee purchased on the open market, an accused infringing product and retained an employee of the opposing party to assist in setting it up. The court reasoned:

Given Mr. Lin’s position and level of responsibility with respect to the Alcatel System, and because he was directed (as an employee of a represented party) to engage in conduct directly relevant to the subject matter of this litigation by F & R,<sup>62</sup> the court finds that F & R violated Model Rule 4.2.<sup>63</sup>

On the other hand, a few other courts have concluded that, even if technically violated by undercover investigations that obtain admissions from “represented” employees, for policy reasons not expressed in the rule, contacts that are not designed to solicit privileged information even if they solicit admissions does not violate the rule. In the earliest case, *Gidatex, S.rL. v. Campaniello Imports, Ltd.*,<sup>64</sup> the defendants moved *in limine* to exclude evidence obtained prior to filing suit by the plaintiff’s

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<sup>58</sup> See Mary Goodrich Nix and James R. Ray, *Dissemblance in the Franchise Industry: The Art (and Ethics) of Deception*, 33-SPG Franchise L.J. 525 (Spring 2014).

<sup>59</sup> 2004 U.S. Dist. LEXIS 13577 (E.D. Pa. July 16, 2004).

<sup>60</sup> 144 F. Supp. 2d 1147 (D.S.D. 2001), *aff’d*, 347 F.3d 693 (8th Cir. 2003).

<sup>61</sup> *Microsoft Corp. v. Alcatel Bus. Sys.*, 2007 U.S. Dist. LEXIS 93048 (D. Del. Dec. 18, 2007).

<sup>62</sup> “In the alternative, F & R was neither forthright nor disinterested when it consciously put Mr. Lin, without the benefit of legal representation, in the unwitting position of being directed to engage in conduct that has direct consequences vis à vis his employer and the subject matter of this litigation, conduct that violates Model Rules 4.1(a), 4.3 and 8.4(c).”

<sup>63</sup> *Id.*

<sup>64</sup> 82 F. Supp. 2d 119 (S.D.N.Y. 1999).

undercover investigators from defendants' sales clerks that showed that the defendant had not complied with the plaintiff's cease and desist letter. The evidence showed that the investigators had misrepresented their purpose and identities in determining whether trademark violations were not ongoing.

The court held that Rule 4.2 had been "technically" violated, since the sales clerks' statements were being offered as "admissions," and the clerks were "represented by counsel" even though suit had not been filed, because of the "permanent adversarial status of the parties."<sup>65</sup> However, the court then held:

Although Bailey's conduct technically satisfies the three-part test generally used to determine whether counsel has violated the disciplinary rules, I conclude that he did not violate the rules because his actions simply do not represent the type of conduct prohibited by the rules. The use of private investigators, posing as consumers and speaking to nominal parties who are not involved in any aspect of the litigation, does not constitute an end-run around the attorney/client privilege. Gidatex's investigators did not interview the sales clerks or trick them into making statements they otherwise would not have made. Rather, the investigators merely recorded the normal business routine in the Campaniello showroom and warehouse.<sup>66</sup>

The court emphasized that it's "analysis of the technical requirements of the disciplinary rules only underscores my earlier conclusion that these rules do not apply in the context of this case."<sup>67</sup>

Finally, even though the investigation occurred post-complaint, but to ferret out violation of an injunction issued by the court, the court reached a similar result in *Apple Corps. Ltd. v. International Collectors Society*.<sup>68</sup> There, the plaintiff filed a motion for civil contempt, alleging the defendants had violated a prior order enjoining the defendants from selling certain stamps bearing likeness of The Beatles except in a manner approved by the court. After the order had been entered, the plaintiff's attorney had her secretary order some of the stamps in a manner that had not been approved by the court. Specifically, she had her several people call the defendants using false names and giving false reasons for why they wanted to order the stamps. The defendant sold the stamps in ways that were not approved by the court.

In addition to opposing the motion, the plaintiff sought sanctions, arguing that the defendants had acted unethically in using undercover investigators to procure the stamps.<sup>69</sup> Under New Jersey's rule, however, only members of the "litigation control group" are covered by New Jersey's rule 4.2.<sup>70</sup> As a result, the contacts did not violate Rule 4.2.

In *dicta*, however, the court also reasoned that the typical undercover investigation would not violate Rule 4.2:

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<sup>65</sup>82 F. Supp. 2d at 124–25.

<sup>66</sup>82 F. Supp. 2d at 125–26.

<sup>67</sup>82 F. Supp. 2d at 126, n.3.

<sup>68</sup>15 F. Supp. 2d 456 (D.N.J. 1998).

<sup>69</sup>The district court struggled mightily with the issue of choice of law, since the lawyers who engaged in the conduct were licensed in New York, but the court was in New Jersey, which did not have a rule specifying which rules applied. 15 F. Supp. 2d at 472–73. The court ultimately held that New Jersey's rules applied.

<sup>70</sup>15 F. Supp. 2d at 474.

There is no evidence that any of Plaintiffs' investigators asked the sales representatives any questions about instructions given or received with regard to Beatles/Lennon stamps. Plaintiffs' investigators did not ask the sales representatives about Defendants' practices or their own practices or policies with regard to Beatles/Lennon stamps. The sales representatives' communication with Plaintiffs' counsel and investigators were limited to recommending which stamps to purchase and accepting an order for Sell-Off Stamps. The investigators did not ask any substantive questions other than whether they could order the Sell-Off Stamps. The only misrepresentations made were as to the callers' purpose in calling and their identities. They posed as normal consumers. The investigator did not make any misrepresentation that he or she was a Beatles/Lennon Club member. In most instances, Plaintiffs' investigators told the sales representative that he or she was not a Beatles/Lennon Club member. Furthermore, Defendants charged all of Plaintiffs' investigators' the higher, non-member price for the Sell-Off Stamps.

RPC 4.2 cannot apply where lawyers and/or their investigators, seeking to learn about current corporate misconduct, act as members of the general public to engage in ordinary business transactions with low-level employees of a represented corporation. To apply the rule to the investigation which took place here would serve merely to immunize corporations from liability for unlawful activity, while not effectuating any of the purposes behind the rule. Accordingly, Ms. Weber's and Plaintiffs' investigators' communications with Defendants' sales representatives did not violate RPC 4.2.<sup>71</sup>

In another case, during pre-suit investigation a lawyer used an undercover investigator to ferret out patent infringement. The court held that this was not a violation of Rule 4.2 or 8.4, stating that, absent evidence that the lawyer or his investigator knew that the target was represented by counsel in a matter, "and in light of the prevailing view that such pre-suit investigations are not unethical," the court found no unethical conduct.<sup>72</sup> An Alabama bar opinion reaches the same general conclusion, stating "opines in the pre-litigation context a private lawyer may use an undercover investigator to investigate possible infringement of intellectual property rights posing as customers under the pretext of seeking services of the suspected infringers and may misrepresent their identity and purpose as long as their contact with suspected infringers occur in the same manner and on the same basis as those of a member of the general public seeking such services."<sup>73</sup>

In a fifth case, after suit had been filed a lawyer contacted the opposing party's expert through the expert's website.<sup>74</sup> The lawyer did not use his firm email address, but he also did not ask for any information that would not normally be disclosed to a consumer. In a lengthy opinion, the court held that disqualification was inappropriate, emphasizing that the lawyer had not attempted to learn confidential information or otherwise influence the expert.<sup>75</sup>

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<sup>71</sup> 15 F. Supp. 2d at 474–75 (citations omitted).

<sup>72</sup> *Turfgrass Group, Inc. v. Northeast Louisiana Turf Farms, LLC*, 2013 U.S. Dist. LEXIS 166570 (W.D. La. Nov. 20, 2013).

<sup>73</sup> Ala. St. B. Formal Op. 2007-05.

<sup>74</sup> *Ipatt Group, Inc. v. Scotts Miracle-Gro Co.*, 2013 U.S. Dist. LEXIS 84719 (D. Nev. June 17, 2013).

<sup>75</sup> *See also, Cartier, a Division of Richemont N. Am., Inc. v. Symbolix, Inc.*, 386 F. Supp. 2d 354 (S.D.N.Y. 2005) (holding that use of an undercover investigator did not constitute unclean hands).

The net impact of these decisions should be disconcerting, since they rely upon policies that may or may not be adopted by other courts or by the disciplinary agency responsible for licensing the lawyer involved. Even assuming Rule 4.2 is not violated, however, the lawyer must still be concerned with whether Rule 4.3 is implicated.

The structure of a pre-suit investigation may bear on whether Rule 4.3 applies. Some argue that the typical undercover investigation is not the type of conduct covered by these rules. Based in part on this, the leading commentators argue that Rule 4.3 does not apply:

Like Rule 4.2, this Rule is clearly limited to circumstances where the lawyer is acting as a lawyer—in this case, “dealing on behalf of a client.” Moreover, the prohibitions embodied in the Rule—on stating or implying to the unrepresented person addressed that the lawyer is disinterested, and on allowing such a person to persist in misunderstanding the lawyer’s role—clearly have application only to a lawyer who is acting as a lawyer. Like Rule 4.2, Rule 4.3 is intended to prevent a lawyer from taking advantage of a third party. While Rule 4.2 turns upon the actual conduct of the lawyer, however, Rule 4.3 turns upon the presumed expectations of the third party in dealing with a lawyer. Thus, both of the prohibitions in Rule 4.3 rest on the premise that a person acting in the capacity of a lawyer engenders expectations as to probity and candor that the ethical rules require a lawyer to honor. A lawyer acting as a lawyer but disguising his identity as such in dealing with an unrepresented person can also violate Rule 4.3 because, although he is acting as a lawyer, he has allowed that person to misunderstand that fact.

Since Rule 4.3 rests upon assumed expectations of persons dealing directly with lawyers, it should have no vicarious applicability to lawyers supervising the activities of undercover investigators and testers, for the latter by definition do not represent themselves as acting on behalf of a lawyer, and so cannot engender expectations of the sort that Rule 4.3 is intended to protect. No unrepresented person is realistically likely to apply his or her expectations of lawyers to an investigator or tester. Rule 4.3 could apply, however, to the activities of an investigator who represented himself as acting on behalf of a lawyer.<sup>76</sup>

Several courts have accepted this conclusion. One court suggested in *dicta* that Rule 4.3 did not apply, reasoning:

Rule 4.3, Utah Rule of Professional Conduct treats contact with unrepresented persons. Icon, by this argument, assumes Thompson was not represented, either in an individual capacity, which he was not, or as a corporate representative which has not been established. The invocation of Rule 4.3 accepts Thompson’s status as that of a non-represented person. Under Rule 4.3 the lawyer, in dealing with such a person, is not to imply that the lawyer is not disinterested. However, Rule 4.3 may apply only to lawyers not investigators since the expectations are those of the unrepresented person dealing with a lawyer. It has been suggested the rule “should have no vicarious liability to lawyers supervising the activities of undercover investigators and testers, for the latter by definition do not represent themselves as acting on behalf of a lawyer so they cannot engender expectations of the sort that Rule 4.3 is to protect.”

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<sup>76</sup>Isbell, 8 Geo J. Legal Ethics at 825 (footnotes omitted).

No unrepresented person is realistically likely to apply his or her expectations of lawyers to an investigator or tester. Rule 4.3 could apply, however, to the activities of an investigator who represented himself as acting on behalf of a lawyer. Icon has not shown a basis for invocation of Rule 4.3 under this analysis.<sup>77</sup>

In the trademark context, the court in *Apple Corps. Ltd. v. International Collectors Society*,<sup>78</sup> stated:

The attorney disciplinary rules also restrict an attorney's communications with an unrepresented party. New Jersey RPC 4.3 specifically provides protection for unrepresented employees. RPC 4.3 states that:

In dealing on behalf of a client with a person who is not represented by counsel, a lawyer shall not state or imply that the lawyer is disinterested. When the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding ...

It is clear from the language of RPC 4.3 that it is limited to circumstances where an attorney is acting in his capacity as a lawyer—"dealing on behalf of a client." Therefore, its prohibitions on allowing the unrepresented person to misunderstand that the lawyer is disinterested only apply to a lawyer who is acting as a lawyer. Like RPC 4.2, RPC 4.3 was intended to prevent a lawyer who fails to disclose his role in a matter from taking advantage of an unrepresented third party.

Plaintiffs' counsel and investigators in testing compliance were not acting in the capacity of lawyers. Therefore, the prohibitions of RPC 4.3 do not apply here. RPC 4.3 does not apply to straightforward transactions undertaken solely to determine in accordance with Rule 11 of the Federal Rules of Civil Procedure, the existence of a well-founded claim—in this case a claim of contempt.<sup>79</sup>

At least one court has held, however, that Rule 4.3 and the admonitions required apply to undercover investigations, and another has indicated the possibility exists. The federal court for the District of South Dakota reasoned:

When an attorney or an investigator or other agent for the attorney attempts to conduct an ex parte interview with a current employee of an adversary organization or corporation, Rule 4.3 ... controls. \* \* \*

The attorney or investigator shall: (1) fully disclose his or her representative capacity to the employee, (2) state the reason for seeking the interview as it concerns the attorney's client and the employer, and (3) inform the individual of his or her right to refuse to be interviewed. The

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<sup>77</sup>Weider Sports Equip. Co. v. Fitness First, Inc., 912 F. Supp. 502, 511–12 (D. Utah 1996) (citations omitted) (*quoting* the Isbell article).

<sup>78</sup>15 F. Supp. 2d 456, 476 (D. N.J. 1998).

<sup>79</sup>(Citations omitted).

attorney or investigator shall not, under any circumstances, seek to obtain attorney—client or work product information from the employee.<sup>80</sup>

Similarly, in the patent case involving F&R, the court stated that Rule 4.3 might apply to and prevent undercover investigations, though it did not reach that issue, relying instead on the holding that the contacts violated Rule 4.2.

Even if Rule 4.3 does not apply, the investigating attorney has some additional complications. The *Apple* court’s statement that the investigation must *before it is begun* comply with Rule 11 obviously creates some additional issues: ostensibly, a lawyer may not use undercover investigators to determine whether a claim exists; he may use it only to confirm an otherwise well-founded claim. This creates, as one court observed, a “troubled” relationship between Rule 4.2 and the requirement in Rule 11 that lawyers conduct adequate pre-suit investigations:

If read literally, and implying the broadest possible interpretation for the term admission, a construction could arise from the argument that any communication that could fit under Rule 801(d)(2)(D) F.R.E [defining “admissions”] would be prohibited, therefore, virtually any communication with an organization employee would be prevented without the organization’s counsel being present or contacted if the organization is a party. This could prevent any pretrial inquiry that would gather evidence from an employee of an organization. In most instances, this would block acquisition of important evidence about corporate practices e.g. civil right violations, age discrimination, improper corporate or labor practices, improper commercial practices, and frauds. This application of Rule 4.2 would preclude, prior to litigation, the gathering of the necessary factual information to determine if a valid claim for relief could be maintained and in its most exaggerated context leave a party without a factual basis to assert an avenue of redress. The troubling features of this application of Rule 4.2 are observed in *In re Air Crash Disaster Near Roselawn, Indiana*, 909 F. Supp. 1116 (D.N.D. Ill. 1995). The purpose of preserving attorney/client integrity is not involved where there is no protected interest under the attorney/client relationship standard of *Upjohn*. The concern for the coercion of an employee who may make a statement and to protect against exploitation can be dealt with in the context of the conduct of counsel and the trustworthiness of the statement. The rule does not protect against organizational counsel’s own misconduct in interviewing organizational employees. Further, Rule 4.2 creates an “ethical minefield” for counsel, therefore, the court finds the suggested conclusion in *In re Air Crash Disaster*, *supra* not to be fully acceptable.<sup>81</sup>

#### **b. Reply-to-All as a Violation of Model Rule 4.2**

Whether an improper contact can occur by a “reply to all” email from a lawyer to another lawyer and her client has divided courts. A Pennsylvania article summed up some views:

The Restatement of the Law Governing Lawyers provides that an opposing lawyer’s consent to communication with his client “may be implied rather than express.” Rest. (Third) of the Law Governing Lawyers § 99 cmt. j. The Association of the Bar of the City of New York Committee on Professional and Judicial Ethics (New York Committee) and the

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<sup>80</sup>144 F. Supp. 2d at 1157 (citation omitted).

<sup>81</sup>*Weider*, 912 F. Supp. at 508–09 (citations and footnotes omitted).

California Standing Committee on Professional Responsibility & Conduct (California Committee) have examined this issue. Both committees concluded that, while consent to “reply to all” communications may sometimes be inferred from the facts and circumstances presented, the prudent practice is to secure the express consent from opposing counsel beforehand. Ass'n of the Bar of the City of NY Comm. on Prof'l and Judicial Ethics, Formal Op. 2009-1; CA Standing Comm. on Prof'l Responsibility & Conduct, Formal Op. 2011-181.

There are scenarios where the necessary consent may be implied by the totality of the facts and circumstances. However, the fact that a lawyer copies his own client on an electronic communication does not, in and of itself, constitute implied consent to a “reply to all” responsive electronic communication. Other factors need to be considered before a lawyer can reasonably rely on implied consent. These factors include, but are not limited to: (1) how the communication is initiated; (2) the nature of the matter (transactional or adversarial); (3) the prior course of conduct of the lawyers and their clients; and (4) the extent to which the communication might interfere with the client-lawyer relationship.

This committee agrees with the cited opinions to the effect that a reply to all does not create a per se violation of Rule 4.2. In order to determine if consent to respond to a represented client in a transactional matter may be implied, lawyers should consider: (1) how the communication is initiated; (2) the prior course of conduct between or among the lawyers and their clients; (3) potential that the response might interfere with the client-lawyer relationship; and (4) whether the specific content of the email is appropriate to send directly to a represented client. For example, in the transactional context, there may be circumstances where the lawyer and client are part of a working group on a commercial transaction and replying to all may be appropriate, particularly where there is a tight timeline and the respective clients need to review iterations of documents simultaneously with their respective counsel. Although a better practice is to obtain express consent to this type of email exchange at the outset, a response that includes a represented client does not necessarily violate Rule 4.2.

On the other hand, circumstances rarely exist in the context of litigation or other disputes where replying to all (including the opposing client) is appropriate, and therefore such a direct communication should ordinarily be avoided absent opposing counsel's express consent. Consent to respond to a communication that includes a represented opposing client may be implied where the response is a nonsubstantive communication. For example, if a lawyer sends a group email including her client that says, “Let's all meet in the court café before the hearing and see if we can reach agreement on some of the issues to be addressed at the 2 p.m. hearing,” a response to all from the opposing lawyer along the lines of “OK, see you there at 1:45,” should not be deemed a violation of Rule 4.2, even though the communication concerns “the subject of the representation.”

Victoria White, Thomas G. Wilkinson, *Ethics Digest*, Pa. Law., May/June 2020, at 56, 58 (2020).

The North Carolina Bar Association rejected implied consent, writing in part: The fact that Lawyer B copies her own client... standing alone, does not permit Lawyer A to ‘reply all.’ While Rule 4.2(a) does not specifically provide that the consent of the other lawyer must be ‘expressly’ given, the prudent practice is to obtain express consent. Whether consent may be ‘implied’ by the circumstances requires an evaluation of all of the facts and circumstances surrounding the representation, the legal issues involved, and the prior communications between the lawyers and their clients.

North Carolina Legal Eth. Op. 2012-7 (Oct. 25, 2013).

In contrast, November 2022, the ABA published an opinion stating that a lawyer who included a client as a cc on an e-mail impliedly consented to contact by opposing counsel. Am. B. Ass’n. Formal Eth. Op. 503 (Nov. 2, 2022). However, the ABA stated consent was limited to the scope of the email on which the client was copied: “the sending lawyer’s implied consent should not be stretched past the point of reason. Unless otherwise explicitly agreed, the consent covers only the specific topics in the initial email; the receiving counsel cannot reasonably infer that such email opens the door to copy the sending lawyer’s client on unrelated topics.” *Id.* (citing Va. Legal Ethics Op. 1897 (2022) (“The reply must not exceed the scope of the email to which the lawyer is responding . . . as the sending lawyer’s choice to use ‘cc’ does not authorize the receiving lawyer to communicate beyond what is reasonably necessary to respond to the initial email.”); N.Y.C. Bar Ethics Op. 2022-3 (“Where an attorney sends an email copying their client, such communication gives implied consent for other counsel to reply all on the same subject within a reasonable time thereafter.”)).

In *Mullen v. GLV, Inc.*, 334 F.R.D. 656 (N.D. Ill. 2020), reconsideration denied, No. 18 C 1465, 2020 WL 5630454 (N.D. Ill. Sept. 20, 2020), the court held an attorney violated Rule 4.2 by sending a short “reply: email to a class member after the class had been certified. *Mullen* was a class action brought against a youth volleyball training business in which a parent alleged that the business concealed an owner's history of sexual abuse of young girls. *Id.* at 658. After class certification, there was a significant amount of email traffic among some class members, the owner of the defendant company, and its vice president about opting out of the class. *Id.* at 659-61. Among them, two class members had sent a mass email to other class members with details about opting out. *Id.* at 660. One recipient of that email forwarded the correspondence to the owner of the company, writing that several people had responded and wanted to be removed from the list. That forwarded email, in turn, was then forwarded to counsel for the defendant. That attorney responded directly to the class member who had sent the “removed from the list” email and asked for the names of the parents who wanted to be removed from the email list. *Id.* The *Mullen* Court held that defense counsel's short response violated Rule 4.2, even though the lawyer did not initiate the contact, and even though the communication was not coercive. *Id.* at 664-65. See *Moore v. Club Exploria, LLC*, 19-CV-2504, 2021 WL 260227, at \*3 (N.D. Ill. Jan. 26, 2021).

### **3. The Importance of Monitoring Conflicts of Interest, Including with Prospective Clients**

It is important for outside counsel to take reasonable care to spot their own firm’s conflicts, those of co-counsel, those of their experts, and those of opposing counsel. Inside counsel should be sure outside counsel is doing so. Many conflicts are imputed – even if caused by hiring a new lawyer – unless “walls” are permitted, and so a firm or law department can hire a new lawyer and cause a conflict of interest disqualifying the entire firm or law department. See generally, Nicole Nuzzo, *The Mobile Lawyer Effect: How Much are Laterals Costing Your Firm?*, 61-Nov. Orange County L. 60 (Nov. 2019); David D. Dodge, *New Rules Make Changing Firms a Little Easier*, 55 Sep. Ariz. Att’y 8 (2018); Tex. Eth. Op. 693 (Feb. 2022); *In re Nat’l Lloyds Ins. Co.*, 2016 WL 552112 (Tex. Ct. App. 2016); *MasterObjects, Inc. v. Amazon.com, Inc.*, C 20-08103 WHA, 2022 WL 2119127 (N.D. Cal. June 13, 2022); *Nat’l Oilwell Varco, L.P. v. Omron Oilfield Marine, Inc.*, 60 F.Supp.3d 751 (W.D. Tex. 2014). A reason why counsel must monitor its own firm’s conflicts, and those of its experts, is obvious, since a conflict can result in disqualification, discipline, malpractice, or simply embarrassment or loss of business.

Further, a firm that fails to identify a foreseeable conflict of interest commits a breach of duty, and is responsible for damages proximately caused. In *Revolaz LLC v. Dentons US LLP*, \_\_\_, N.E.3d \_\_\_, 2022 WL 1257100 (Ct. App. Ohio Apr. 28, 2022), the court affirmed a jury verdict of \$32 million, in part based upon lost profits caused by a firm being disqualified from enforcing its client's patents. Damages included lost licensing profits, lost profits from failure to obtain a general exclusion order from the ITC, and additional damages.

But disqualification is not the most common and immediate problem caused by conflicts. Foremost, if a lawyer terminates a representation and threatens to sue the former client for fees, that former client will often examine whether the lawyer earned those fees while facing a conflict of interest. If the client finds one, the threat of a counterclaim – for fee disgorgement or malpractice – exists, and foregoing collection of past-due fees may be a wise choice.

Further, a client can sue for fee disgorgement where a lawyer has earned fees with an undisclosed conflict, causing the lawyer to disgorge some or all fees -- even if the client had not been damaged. “Courts throughout the country have ordered the disgorgement of fees paid or the forfeiture of fees owed to attorneys who have breached their fiduciary duties to their clients by engaging in impermissible conflicts of interests.” *Avco Corp. v. Turner*, 2022 WL 2901015, at \*2 (3d Cir. July 22, 2022). See *Burrow v. Arce*, 997 S.W.2d 229 (Tex. 1999) (denying summary judgment on claim for damages, and at the same time discussing the independent equitable remedy of fee forfeiture and its application, and remanding for further proceedings); *Parkinson v. Bevis*, 165 Idaho 599, 607, 448 P.3d 1027, 1035 (2019) (recognizing claim, independent of malpractice, with relief turning on “the gravity and timing of the violation, its willfulness, its effect on the value of the [agent's] work for the [principal], and other threatened or actual harm to the [principal] and the adequacy of other remedies.”)

The reason “[a]n attorney cannot recover fees for such conflicting representation” is “because payment is not due for services not properly performed.” *Image Tech. Serv., Inc. v. Eastman Kodak Co.*, 136 F.3d 1354, 1358 (9th Cir. 1998) (internal quotation marks and citation omitted); see *Hawkins v. Eighth Judicial Dist. Court in & for Cnty. of Clark*, 133 Nev. 900, 904, 407 P.3d 766, 770 (2017); see also *State Farm Mut. Auto. Ins. Co. v. Hansen*, 357 P.3d 338, 342 n.6 (2015) (“The representation of clients with conflicting interests and without informed consent is a particularly egregious ethical violation that may be a proper basis for complete denial of fees.” (quoting *Rodriguez v. Disner*, 688 F.3d 645, 655 (9th Cir. 2012))). Moreover, “[a] court has broad equitable power to deny attorneys’ fees (or to require an attorney to disgorge fees already received) when an attorney represents clients with conflicting interests.” *Rodriguez*, 688 F.3d at 653.

Less obvious may be the need to monitor conflicts of co-counsel or opposing counsel, but doing so is important because sometimes co-counsel’s conflict can be imputed to a firm. See *Network Apps, LLC v. AT&T Mobility LLC*, 21 CIV. 718 (KPF), 2022 WL 1119331 (S.D.N.Y. Apr. 14, 2022); *Freeman v. Chicago Musical Instrument Co.*, 689 F.2d 715 (7th Cir. 1982); *Emblaze Ltd. v. Microsoft Corp.*, 2014 U.S. Dist. LEXIS 74992 (N.D. Cal. May 30, 2014); *Buckley v. Airshield Corp.*, 908 F. Supp. 299 (D. Md. 1995).

In addition, monitoring is important because some courts hold that many conflicts are waived if not timely raised by the adversely affected client’s counsel. See, e.g., *Florida Virtual Sch. v. K12, Inc.*, 6:20-CV-2354-GAP-EJK, 2022 WL 1410674 (M.D. Fla. Apr. 20, 2022), report and recommendation adopted, 6:20-CV-2354-GAP-EJK, 2022 WL 1406665 (M.D. Fla. May 4, 2022);

*PC&L Development LLC v. Bionpharma Inc.*, 2019 WL 357351 (M.D.N.C. Jan. 29, 2019); *In re Nat'l Lloyds Ins. Co.*, 2016 WL 552112 (Tex. Ct. App. 2016); *Nat'l Oilwell Varco, L.P. v. Omron Oilfield Marine, Inc.*, 60 F.Supp.3d 751 (W.D. Tex. 2014). *In re Metoprolol Succinate Patent Litig.*, 2006 U.S. Dist. LEXIS 1328 (E.D. Mo. Jan. 17, 2006) (finding waiver due to delay); *Buckley v. Airshield Corp.*, 908 F. Supp. 299 (D. Md. 1995) (no waiver under facts presented). Some courts, such as the Fifth Circuit, have indicated that certain conflicts cannot be waived by the client, but instead are matters for the court to resolve because they implicate judicial concerns, not merely those of the aggrieved client. See David Hricik & Jae Ellis, *Disparities in Legal Ethics Standards Between State and Federal Judicial Systems: An Analysis and a Critique*, 13 GEO. J. LEGAL ETHICS 577 (2000).

Further still, inside counsel need to monitor for their own conflicts and those of new lawyers and other employees. There are two forms of common problems: one occurs when a corporate law department hires a new lawyer who had worked for a competitor, and the lawyer then represents the new employer in a matter adverse and substantially related to a matter in which the lawyer had represented the former employer. See *Dynamic 3D Geosolutions LLC v. Schlumberger Ltd.*, 837 F.3d 1280 (Fed. Cir. 2016) (Acacia's legal department and outside counsel disqualified because Acacia hired lawyer from Schlumberger who had worked on matter substantially related to patent suit against Schlumberger). See generally, John K. Villa, *Corporate Law Department as a "firm" – Imputed Disqualification*, 1 Corporate Counsel Guidelines 3:4 (2019); John K. Villa, *Limitations on Working for Competitors*, 1 Corporate Counsel Guidelines 3:34 (2019); Jack C. Tanner, *Ethics for In-House Counsel and Landmen*, 2018 No. 2 RMMLF-Inst 12 (Apr. 24, 2018); Jack Tanner, *Top 10 Things In-House Lawyers Need to Know About Ethics*, 45 Jul-Colo L. 59 (2016) ("The imputed disqualification rule may disqualify an entire in-house legal department.").

A second problem arises when in-house counsel inadvertently form attorney-client relationships due to "cooperation clauses" common in shared prosecution, joint venture, and license agreements. In-house lawyers may find themselves being deemed to represent, in addition to their corporate employer, the other party to such an agreement.

This section begins by addressing client identity, and then catalogs the various conflicts of interest that arise in patent practice, including prosecution and litigation. A recurrent problem arises when a practitioner believes that she represents one prosecution client but, later, someone claims to have *also* been a client. If a lawyer is deemed to represent more than one client, it can create conflicts of interest, and there may be no privilege among the joint clients, and if in-house counsel is deemed to represent someone other than the corporate employer, the entire in-house legal department may be disqualified. *E.g.*, *Loop AI Labs Inc. v Gatti*, 2016 WL 730211 (N.D. Cal. Feb. 24, 2016) (analyzing whether firm jointly represented two clients and whether firm could assert privilege in dispute involving those two clients).

#### **a. Inventors Claiming to Also Have Been Clients.**

The law is generally clear that, without more, a practitioner does not represent an inventor solely because the inventor executed a power of attorney to a practitioner retained by the inventor's employer to prosecute an application, at least where the inventor has an obligation that assigned the invention to the employer. The Federal Circuit in *Sun Studs* believed that at least based on general agency principles and not any state law, the execution by an employee of a power of attorney for the benefit of his employer did not create an express or implied attorney-client relationship: "In the present case there was not even a 'technical' attorney-client relationship between Chernoff and Hunter because of the prior agreement that all rights in the invention belonged to Sun Studs." *Sun Studs, Inc.*

*v. Applied Theory Assocs., Inc.*, 772 F.2d 1557, 1568 (Fed. Cir. 1985). Several courts have held that a practitioner prosecuting a patent application for an employer does not have an attorney-client relationship with an employer's inventor. *E.g., Emory Univ. v. Nova Biogenetics, Inc.*, 2006 U.S. Dist. LEXIS 67305 (N.D. Ga. Sept. 20, 2006) ("a firm prosecuting a patent application on behalf of a company does not form an attorney-client relationship with any individual inventor required to assign his rights to the company").

These cases provide comfort. However, none of them analyzed federal preemption of state law regarding formation of an attorney-client relationship, but that seems to be the foundation of this approach. Their conclusion that a power of attorney does not create an attorney client relationship, where the power is given to a lawyer to provide legal services, could conflict with state law. Further, the *Sun Studs* holding if not of "Federal Circuit" law that preempts state law, may be an application of Oregon law. If so, practitioners have no guidance where other law—presumably their own state's law—controls formation of the attorney-client relationship.

In addition, ambiguity or a fact question requiring trial by jury can arise if the practitioner while prosecuting the application met with the inventor or casually referred to the inventor in correspondence or billing records as a "client." In one case, the court found the practitioner had represented inventors in prosecuting patents, reasoning:

In this case, appellee expressly appointed Brooks and Kushman to advance its position in the Patent and Trademark Office. To further that effort, appellee supplied Brooks and Kushman with confidential information. Furthermore, appellee agreed to pay one half of the attorney fees. Finally, Brooks and Kushman were aware that one half of the fees would be indirectly paid by appellee and that appellee would directly benefit from the successful prosecution of the patent application. From these circumstances, the trial court could properly infer that appellee reasonably believed that Brooks and Kushman owed duties to appellee to the same extent that the firm owed duties to appellant and that the confidential information supplied to Brooks and Kushman would not subsequently be used to degrade its interests. Therefore, the factual finding that Brooks and Kushman had an attorney-client relationship with appellee is supported by substantial evidence and will not be disturbed.

*Henry Filters, Inc. v. Peabody Barnes, Inc.*, 611 N.E.2d 873, 877–78 (Ohio Ct. App. 1992). *See also Barkerding v. Whitaker*, 263 So.3d 1170 (Ct. App. La. 2018) (inventor reasonably believed he had been represented by lawyers); *Beasley v. Avery Dennison Corp.*, 2006 U.S. Dist. LEXIS 74033 (W.D. Tex. Oct. 4, 2006).

Engagement letters can reduce misunderstandings – and strategic behavior. In *Synergy Tech & Design Inc. v. Terry*, 2007 U.S. Dist. LEXIS 34463 (N.D. Cal. May 2, 2007), a practitioner had been retained to file a provisional patent application and provided to the corporate-assignee a letter that specifically explained that the practitioner's representation of the corporation did not entail representation of any individuals in the corporation, such as its employees, officers, or directors. The person who signed the letter on behalf of the corporation alleged that he had contributed subject matter disclosed in the provisional patent application and sought to disqualify the practitioner when a dispute between him and the corporation resulted. Because the letter had clearly stated that the practitioner's representation of the company did not mean the practitioner represented the individual,

the motion to disqualify was denied.

Finally, even if a practitioner does *not* represent the inventor, in all states, lawyers owe duties to unrepresented persons. For example, many states have a rule like Model Rule 4.3, which states:

In dealing on behalf of a client with a person who is not represented by counsel, a lawyer shall not state or imply that the lawyer is disinterested. When the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding. The lawyer shall not give legal advice to an unrepresented person, other than the advice to secure counsel, if the lawyer knows or reasonably should know that the interests of such a person are or have a reasonable possibility of being in conflict with the interests of the client.

#### **b. Shared Prosecution Clauses Creating Implied Attorney-Client Relationships.**

It is common for different entities to have input into prosecution, as where a licensee has input into prosecution of pending applications. In such circumstances, the parties likely can assert a "common interest" privilege so that third parties cannot access their communications. However, courts continue to conflate the existence of a common interest with implied joint attorney client relationships.

In a recent example, DePuy Orthopaedics, Inc. ("DePuy") entered into a research agreement with Orthopaedic Hospital ("OH"). OH would develop products and DePuy would pay a royalty if any were commercialized. Some patent applications were filed. OH later contended that DePuy had developed products that required it pay OH a royalty; DePuy refused, and OH brought a declaratory judgment. *See DePuy Orthopaedics, Inc. v. Orthopaedic Hosp.*, 2016 WL 7030400 (Dec. 1, 2016).

In the course of the lawsuit, OH moved to compel all documents from DePuy related to prosecution of the patent applications. DePuy refused to provide the documents. In doing so, it conceded that the parties shared a common interest with respect to the patent applications, but contended that DePuy's in-house attorney did not jointly represent both OH and DePuy when doing so.

The court held that as a matter of law DePuy's in-house lawyer represented both it and OH. In doing so, it applied the test for determining whether a lawyer represents a client. Thus, because the lawyer jointly represented both OH and DePuy, nothing was privileged between them in this dispute.

As I've written, this is legally incorrect. The issue isn't whether DePuy's in-house lawyer represented one client, but whether she represented two. When that is the issue, courts that appropriately analyze this issue recognize that a different analysis is required. *See U.s. v. Holmes*, 2021 WL 2309980 (N.D. Cal. June 3, 2021). Applying "reasonable belief" test in a joint client context to imply an attorney client relationship can create conflicts of interest. *See id.* Further still, with respect to in-house counsel, this could create the unauthorized practice of law (for example, if she were not licensed in the state where the activities occurred, but registered by the state, and the "representation"

went beyond that necessary to practice before the USPTO. It could also result in liability by in-house counsel to third parties, and in-house counsel typically don't have malpractice insurance.

This same fact pattern has bitten several outside firms and in-house counsel before. Any time a lawyer is prosecuting patents where there is some agreement where a “non-client” has input -- a joint venture agreement, a license, a joint development agreement -- the lawyer should be extremely careful to ensure that the “non-client” knows it is not a client. *See also Takeda Pharmaceutical CO. Ltd. v. Zydus Pharmaceuticals (USA) Inc.*, 2019 WL 3284673 (D. N.J. June 6, 2019) (denying motion to disqualify based upon firm’s representation of client who had joint defense agreement with moving party).

### **c. Corporate Affiliates Claiming to Also be a Client**

Corporate clients often include “outside counsel guidelines” that purport to require a law firm representing any part of a corporate enterprise from being adverse to any affiliated entity; law firms generally use engagement letters which state that, often with some exceptions, the law firm may be adverse to any other entity other than the entity actually retaining the firm. *See, e.g., Med. Tech. Associates II Inc. v. Rausch*, CV 21-1095, 2022 WL 870586 (E.D. Pa. Mar. 21, 2022) (engagement letter clearly identified which entities were not represented). If one of these forms does not effectively define client identity, *see Dr. Falk Pharma GmbH v. Generico, LLC*, 916 F.3d 975 (Fed. Cir. 2019), then courts apply a multi-factor test. *See id.*; *GSI Commerce Solutions, Inc. v. BabyCenter, LLC* 618 F.3d 204 (2d Cir. 2010); *24-7 Bright Star Healthcare, LLC v. Res-Care, Inc.*, 1:21-CV-04609, 2022 WL 1432439 (N.D. Ill. Mar. 24, 2022). Further, even if the engagement makes clear that only certain entities were clients, “mission creep” can mean the firm, despite initially being clear on client identity, instead came to represent other entities affiliated with the initial client. *See generally Keefe Commissary Network, LLC v. Beazley Ins. Co., Inc.*, 4:20-CV-00176-SNLJ, 2020 WL 4673782 (E.D. Mo. Aug. 12, 2020).

### **d. Duties to Prospective Clients**

A “person who consults with a lawyer about the possibility of forming a client-lawyer relationship with respect to a matter is a prospective client.” Whether a person was “a prospective client is a fact-intensive question.” Utah State Bar Ethics Advisory Opinion Committee, Opinion No. 05-04, 2005 WL 2234101, at \*3. *See Applied Asphalt Techs. v. Sam B. Corp.*, 214CV00800JNPDBP, 2016 WL 427070, at \*3 (D. Utah Feb. 3, 2016). However, when “there is some ambiguity in the nature of the client-attorney relationship, the law generally imposes the burden on the lawyer to ‘clearly and affirmatively negative the existence of the client-lawyer relationship.’” *Id.* (quoting Restatement of the Law Governing Lawyers). On the other hand, a person who unilaterally emails a lawyer information generally is not a “prospective client.” *Michael Grecco Prods., Inc. v. Ziff Davis, LLC*, CV194776DSFPJWX, 2021 WL 6618863 (C.D. Cal. Sept. 8, 2021).

“Even when no client-lawyer relationship ensues, a lawyer who has learned information from a prospective client shall not use or reveal that information, except as Rule 1.9 would permit with respect to information of a former client.” Model Rule 1.18(b). In addition, a lawyer who learned information from a prospective client “shall not represent a client with interests materially adverse to those of a prospective client in the same or a substantially related matter if the lawyer received information from the prospective client that could be significantly harmful to that person in the matter” with an exception discussed below. Further, if one lawyer “is disqualified from representation under this paragraph, no lawyer in a firm with which that lawyer is associated may knowingly undertake

or continue representation in such a matter,” with that same exception. Model Rule 1.18(c). The exception states:

When the lawyer has received disqualifying information as defined in paragraph (c), representation is permissible if:

(1) both the affected client and the prospective client have given informed consent, confirmed in writing, or:

(2) the lawyer who received the information took reasonable measures to avoid exposure to more disqualifying information than was reasonably necessary to determine whether to represent the prospective client; and

(i) the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and

(ii) written notice is promptly given to the prospective client.

The court in *SkyBell Techs., Inc. v. Ring, Inc.*, SACV1800014JVSJDEX, 2018 WL 6016156 (C.D. Cal. Sept. 18, 2018) in a patent case addressed the unilateral means to avoid disqualification, which require (1) the lawyer who received the material confidential information must have taken “reasonable measures to avoid exposure to more information than was reasonably necessary to determine whether to represent the prospective client; (2) that lawyer must have been timely screened from participation in the adverse matter and apportioned no portion of the fee; and (3) the lawyers must have given the prospective client written notice. In *SkyBell*, the court disqualified a firm after a defense lawyer joined that firm during a patent lawsuit for which the law firm had made an unsuccessful marketing pitch to represent SkyBell in enforcing its patents against, among others, Ring, Inc. The judge ordered disqualification even though the firm had implemented an ethical screen (to insulate the Ring defense lawyers from information learned during the firm's earlier pitch to SkyBell) because the firm had not taken reasonable steps “at each stage of the discussion with SkyBell” to avoid exposure to more information than was reasonably necessary to determine whether to represent SkyBell. The facts were summarized as follows:

Initially, the firm told SkyBell's outside patent counsel to provide only so much information as necessary to conduct a conflict search. The court found that the firm had taken reasonable steps at this stage of the discussions. However, after the conflict search revealed no conflict, attorneys at the disqualified firm participated in several calls and meetings, learned SkyBell's business objectives and goals for its patent litigation, and presented a 40-page proposal containing the firm's strategic analysis. There was no similar admonition to SkyBell to restrict the information required of the firm to undertake SkyBell's representation once conflicts had cleared. The court faulted the lawyers for not affirmatively warning SkyBell to limit its disclosure of information after conflicts had cleared stating “there must be some type of preceding or concurrent affirmative act that is carried out by the attorney to limit the disclosure.... Skybell's representatives were never informed...that they should withhold any information and were actually encouraged to provide all the information they could.”

Cal. Eth. Op. 2021-205 (2021). For a discussion of what is required to get informed consent, see *id.*

#### **4. When is a Representation “Adverse” to a Prospective, Current, or Former Client?**

Model Rule 1.7 contains two prohibitions concerning conflicts of interest between two current clients: a lawyer (a) may not represent one client “directly adverse to another client;” and (b) may not “represent a client if the representation of that client may be materially limited by the lawyer’s responsibilities to another client.” Under the principle of imputed disqualification, if one lawyer may not undertake a representation, generally no lawyer in the firm can. Clients can consent, under some circumstances, after full disclosure.

Likewise, Model Rule 1.9 prohibits a lawyer who had previously represented a client from representing another client in a matter that is “materially adverse” to the former client and is “substantially related” to the prior representation. *See Altova GmbH v. Syncro Soft SRL*, 320 F. Supp.3d 314 (D. Mass. 2018) (analyzing whether a law firm may “drop” a current client so that it may be adverse to it, so long as the adverse matter is not substantially related to the “prior” representation, and holding the law firm could not and disqualifying it).

Finally, Model Rule 1.18, discussed above, prohibits a lawyer who learned information from a prospective client from representing “a client with interests materially adverse to those of a prospective client in the same or a substantially related matter if the lawyer received information from the prospective client that could be significantly harmful to that person in the matter,” with exceptions discussed above.

The courts have generally interpreted Model Rule 1.7 to mean what it says: a lawyer may never be adverse to a current client, unless the client consents, waives any objection, or the lawyer demonstrates that there are exceptional circumstances that would serve either a professional or societal interests that would outweigh the public’s perception of impropriety. *See Transperfect Global, Inc. v. Motionpoint Corp.*, 2012 U.S. Dist. LEXIS 85649 (N.D. Cal. June 20, 2012); *Concat LP v. Unilever PLC*, 350 F. Supp. 2d 796 (N.D. Cal. 2004) (explaining that prohibition applies strictly, even if matters are totally unrelated) (collecting cases). Generally, too this obligation is imputed to all lawyers associated with a firm: if one lawyer is representing a company in a matter, no lawyer may be adverse to that client, even in a matter completely unrelated to the representation of the client.

So if a representation is adverse to a current client, then there is a conflict. If the representation is adverse to a former or prospective client, the adverse matter must be substantially related to the prior representation and, for prospective clients, the lawyer must have received information that could be significantly harmful. The next section addresses what is “adverse” and then it turns to “substantially relationships.”

**a. Suing a client is adverse, as is defending a client against another client’s claim.**

A case showing that defending a claim is adverse is *Southern Visions, LLP v. Red Diamond, Inc.*, 370 F. Supp.3d 1314 (D. Ala. 2019); *Oxford Sys., Inc. v. Cellpro Inc.*, 45 F. Supp.2d 1055 (W.D. Wash. 1999). Likewise, representing a plaintiff against a defendant who impleads a third party defendant who is a client is adverse: if the non-client is liable to the plaintiff, then the impleaded client is liable to the defendant. *Richmond Am. Homes of N. Cal., Inc. v. Air Design, Inc.*, 2002 Cal. App. Unpub. LEXIS 6948 (Cal. App. July 25, 2002) (finding adversity because procedural rules allow third-party defendants to defend against a third-party complaint by alleging that the defendant had no liability to the plaintiff); *Pressman-Gutman Co., Inc. v. First Union Nat’l Bank*, 459 F.3d 383 (E.D. Pa. 2004), *on reconsideration*, *Pressman-Gutman Co., Inc. v. First Union Nat’l Bank*, 2004 U.S. Dist. LEXIS 23991 (E.D.

Pa. Nov. 30, 2004), *mand. denied, Pressman-Gutman Co., Inc. v. First Nat'l. Bank*, 459 F.3d 383 (3d Cir. 2006).

**b. Asserting ownership of a patent by one client against another is adverse.**

As an example, see *Alzheimer's Institute of Am. v. Elan Corp. PLC*, U.S. Dist. LEXIS 147471 (N.D. Cal. Dec. 22, 2011) (firm found itself attempting to withdraw from cases because its clients were each asserting ownership of patents-in-suit).

**c. Working behind the scenes against a client is adverse.**

**Error! Bookmark not defined.** A firm that cannot represent a party opposing a current client in litigation also cannot help some other firm to do the same thing, trying to avoid adversity solely by not making an appearance in court. *E.F. Hutton & Co. v. Brown*, 305 F. Supp. 371, 378–79 (S.D. Tex. 1969) (disqualifying New York firm that had represented employee from assisting Houston firm from litigating against him in substantially related matter). *But cf. Touchcom, Inc. v. Bereskin & Parr*, 2008 U.S. App. LEXIS 23271 (Fed. Cir. Oct. 6, 2008) (refusing to rule on whether counsel who had not entered an appearance on appeal was disqualified). If a firm would be disqualified if it appeared in court, it can't avoid disqualification by simply acting only out of court. *See Patriot Sci. Corp. v. Moore*, 2006 U.S. App. LEXIS 9285 (Fed. Cir. Apr. 12, 2006) (“it does not matter that [the lawyer] was acting as a litigation consultant, rather than [the adverse party's] attorney”).

**d. Seeking adverse discovery from a client is adverse.**

Discovery of a client constitutes an “adverse representation” that triggers the conflict of interest rules. *See* ABA Ethics Op. 92-367 (1992) (discovery against current client is an “adverse representation”); *In re Cendant Corp. Sec. Litig.*, 124 F. Supp. 2d 235, 241 (D. N.J. 2000); *Committee on Legal Ethics v. Frame*, 433 S.E.2d 579 (W.Va. 1993). A few courts have extended this concept to former clients. *See, e.g., Selby v. Revlon Consumer Prods.*, 6 F. Supp. 2d 577 (N.D. Tex. 1997); *Swanson v. Wabash, Inc.*, 585 F. Supp. 1094, 1097 (N.D. Ill. 1984).

**e. Bringing a suit that will have adverse legal consequences on a client is adverse.**

There are circumstances “in which a lawyer's pursuit of a client's lawsuit or defense may be at odds with or detrimental to the interests of a person or entity that has not been joined in the litigation but is being represented by the lawyer in a different litigation or transactional matter.” ABA/BNA *Lawyer's Manual on Professional Conduct* 51:111 (2015). Identifying precisely when this sort of indirect adverse representation becomes an ethical violation is “difficult.” *Id.*

For example, representing a plaintiff against a defendant who impleads a third-party defendant who is a client is adverse: if the nonclient is liable to the plaintiff, then the impleaded client is liable to the defendant. *Richmond Am. Homes of N. Cal., Inc. v. Air Design, Inc.*, 2002 Cal. App. Unpub. LEXIS 6948 (Cal. App. July 25, 2002) (finding adversity because procedural rules allow third-party defendants to defend against a third-party complaint by alleging that the defendant had no liability to the plaintiff); *Pressman-Gutman Co., Inc. v. First Union Nat'l Bank*, 459 F.3d 383 (E.D. Pa. 2004), *on reconsideration, Pressman-Gutman Co., Inc. v. First Union Nat'l Bank*, 2004 U.S. Dist. LEXIS 23991 (E.D. Pa. Nov. 30, 2004), *mand. denied, Pressman-Gutman Co., Inc. v. First Nat'l. Bank*, 459 F.3d

383 (3d Cir. 2006). *See also Axxcan Scandipharm, Inc. v. Reed Smith, LLP*, 2007 Phila. Ct. Com. Pl. LEXIS 78 (Mar. 26, 2007) (suit based on damages caused by firm that violated duty of loyalty and confidentiality and seeking disgorgement of fees). Similarly, adversity can arise short of actual impleading of the client such as when a lawyer in a case against a non-client will give the non-client the ability to seek indemnity against a client. *See Snapping Shoals Elec. Mbrshp. Corp. v. RLI Ins. Corp.*, 2006 U.S. Dist. LEXIS 45226 (N.D. Ga. July 5, 2006) (firm disqualified from asserting claim against non-client that would result in a client owing the non-client indemnity). *See* NHBA Eth. Comm. Formal Op. 1989–90/17 (Aug. 25, 1990). In that opinion, the committee concluded that a firm could not represent a general contractor in pursuing a claim against a lender where doing so would expose its other client, a developer, to a claim by the lender. (Although, the opinion is couched in terms of material limitations, the issue could also be viewed as one of adversity.). The lawyer is quite literally making the case against his own client. Similarly, adversity can arise short of actual impleading of the client, such as when a lawyer in a case against a nonclient will give the nonclient the ability to seek indemnity against a client. *See also Commonwealth Scientific & Industrial Research Organisation v. Toshiba Am. Info. Sys., Inc.*, 2008 U.S. App. LEXIS 22114 (Fed. Cir. Oct. 23, 2008) (indemnity obligation from client to accused infringer created adversity, but disqualification denied on other grounds).

The Philadelphia Bar Association saw a similar easy answer when it was asked whether a firm could prepare a letter – part of the step toward litigation -- for Client A in which the firm will take the position that Client A’s generic version of a drug did not infringe Client B’s patent – a patent the firm has had nothing to do with. The Philadelphia Bar Association concluded that preparing the letter was adverse to Client B.<sup>2</sup> The Committee wrote that the “confidence of the opinion [sic?] that there is no infringement” and the lawyer’s belief that the entry of Client A into the generic market for Client B’s branded drug would have very little economic impact on Client B “do not serve to eliminate the adversity...”<sup>3</sup> The act of preparing for the suit – just like the act of participating out of court in a pending suit – is adverse because the lawyer was putting the information together that was to be used against its own client.

A decision from the International Trade Commission (ITC) involving a motion to disqualify brought by Google against the Pepper Hamilton firm is one of the rare cases actually litigating the issue and only economic harm and no legal conflict of interest. *In the Matter of Certain Portable Communication Devices*, Inv. No. 337-TA-827 (Order No. 7 Feb. 13, 2012). In the interests of full disclosure, I served as an expert retained by Pepper Hamilton in this matter.

In that case, Pepper Hamilton was prosecuting a few patent applications for Google. It undertook to represent a patentee, Digitude, in an exclusion proceeding before the ITC. Digitude was seeking an order preventing importation of certain cell phones and other devices.

Google was not a defendant, and its products and services were not accused of infringing the patent. Nonetheless, the accused products used Google’s Android software, and that software allegedly satisfied one element of the claim-in-suit. Google intervened in the proceeding, contending that Pepper Hamilton was adverse to it because Google was a member of a consortium (the “Open Handset Alliance”) that provided, free of charge, the Android software as an open source product to the device makers. Further, the Open Handset Alliance specifically disclaimed any warranty of non-

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<sup>2</sup> Phila. B. Ass’n. Prof. Guidance Comm. Op. 2012-11 (Jan. 2013).

<sup>3</sup> *Id.*

infringement when doing so.

The staff recommended denying the motion to disqualify, and the administrative law judge (ALJ) did so. The ALJ rejected several arguments presented by Google to establish adversity despite the usual indicia under the burden of proof required in the ITC:

Based on the foregoing, I find that Google has not clearly demonstrated that Pepper Hamilton's representation of Digtude is "directly adverse" to Google. Any finding of a violation of Section 337 in this investigation will not impact Google's legal interests because of the wording of the Apache 2.0 license under which Android is licensed [which disclaimed the warranty of non-infringement]. Moreover, I find that Google did not provide the full factual background when it asserted that Android is a "Google product," as the evidence establishes that Android is an open source project run through the Open Handset Alliance, whereby the software is provided at no cost and everyone is invited to contribute. Google asserts that Pepper Hamilton's representation of Digtude is adverse to Google's business interests as well. Google offers no evidence regarding how Google's business interests will be harmed through this litigation. Instead, Google offers a declaration from its in-house Litigation Counsel that makes conclusory assertions such as "Google has a strong interest in pre-serving the Respondents' continued importation of devices that incorporate Google's Android technology," and, to the extent that Digtude's infringement claims are directed to Android, "Google's legal and business interests are harmed." Such unsupported assertions do not demonstrate that Google's business interests will be harmed if Digtude obtains relief against the respondents' Android-based products. Google argues that respondents in this investigation who make products that do not run the Android operating system may assert Google's patents or technology as prior art that invalidates Digtude's patents, thereby requiring Pepper Hamilton to attack Google's prior art patents or technology. Google offers no evidence that any Google patent or technology is being asserted as prior art in this investigation, making Google's argument pure speculation. The mere possibility that Google prior art will be relied upon in this investigation does not give rise to a Rule 1.7 violation.

Google raises a concern regarding Google's possible involvement in this investigation as a third party. Pepper Hamilton has assured Google that it will not seek any third party discovery from Google in the current investigation. (See Ex. F to Google Mot.) Pepper Hamilton has also assured Google that if another party seeks third party discovery from Google and a deposition takes place, no Pepper Hamilton attorney will examine a Google witness. (Id) I find that these assurances are sufficient, and that Pepper Hamilton will be held to these promises, and the other promises included in Mr. Zemaitis' January 20, 2012 letter. (Id) Pepper Hamilton shall have no involvement in any Google third party discovery in this investigation. This prevents any potential direct adversity from arising.

Google also raises a concern regarding the confidentiality of its

information. Google has not offered any evidence that its confidential information has been viewed or used by Pepper Hamilton attorneys representing Digtude. Pepper Hamilton has already established an ethical screen. With this ethical screen in place, Pepper Hamilton attorneys working on this investigation on behalf of Digtude cannot access Google's confidential information, and Pepper Hamilton attorneys working on behalf of Google cannot access confidential information in the current investigation. Digtude offered declarations from the Pepper Hamilton attorneys who have made an appearance in this investigation, with each declaration stating that the attorney has not, inter alia, performed legal work for Google or accessed any Google confidential information while at Pepper Hamilton. Moreover, there is a physical separation of any hard copy documents, as Pepper Hamilton's work for Google takes place in its Pennsylvania and Delaware offices, while Pepper Hamilton's work for Digtude takes place in its Massachusetts and Washington, DC offices. I find that the actions taken by Pepper Hamilton serve as a reasonable precaution to keep the confidential information of Google and Digtude separate. Pepper Hamilton shall ensure that these safeguards are kept in place.

In sum, I find that Google has not met its heavy burden in demonstrating that Pepper Hamilton should be disqualified from representing Digtude in this investigation.

*Id.* (citations omitted). The ALJ in *In the Matter of Certain Baseband Processor Chips and Chipsets, Transmitter and Receiver (Radio) Chips, Power Control Chips, and Products Containing Same, Including Cellular Telephone Handsets*, USITC Inv. No. 337-TA-543 (Order No. 29 Mar. 9, 2006) reached a similar conclusion.

Facing somewhat distinct facts, the Federal Circuit reached a different conclusion in a rare case where the movant sought to disqualify a lawyer from representing a party on appeal in *Celgard, LLC v. LG Chem., Ltd.*, 2014 U.S. App. LEXIS 24742 (Fed. Cir. Dec. 10, 2014). Conflict-free firms were representing a patentee in a suit against a lithium battery supplier. That supplier was the only source of specialized batteries that Apple uses. The patentee obtained a preliminary injunction against the battery supplier. Apple was not a party to the suit against the battery supplier.

At that point, Jones Day appeared in the trial court and to handle the appeal. Jones Day had realized that it could not be adverse to Apple, and so structured its relationship with the patentee to avoid counseling the patentee in any matter against Apple, including licensing negotiations. On appeal, Jones Day refused to withdraw and Apple moved to intervene to disqualify Jones Day.

The Federal Circuit granted the motion in an unpublished disposition. The court held that this was not merely permitted economic adversity but was adverse because "Apple faces not only the possibility of finding a new battery supplier, but also additional targeting by [Jones Day's client, the patentee] to use the injunction as leverage in negotiation a business relationship." To the court, this meant Jones Day was adverse "in every relevant sense."

The differing results in *Google* and the Jones Day appeal illustrate the difficult issues that arise, and line drawing needed, in patent litigation. Lawyers cannot simply look at the parties to the

suit.

**f. Suing on a patent when a client is or will be a defendant in a separate suit can be adverse.**

Applying these lessons to patent litigation reveals the poorly lit lines. Foremost, suppose, as happens, a patentee approaches a firm with a list of possible infringers. The firm determines that of the five possible targets, one is a client of the firm. As shown above, the firm cannot represent the patentee against its client, since that is adverse. Also as shown above, it cannot act adversely even though not appearing in court by acting through some other firm in that suit. As a result, suppose the patentee-client retains the firm, but only to sue the non-client defendants. It retains another firm to act separately and file suit against the first firm's client. Is the first firm, nonetheless, disqualified from representing the patentee against non-clients?

More than a few district courts have addressed this issue in the context of patent litigation. Naturally, they split on their answer to the question, but focused on whether arguing a *Markman* construction in the case against the non-client that could be used against the client in the other case was enough to constitute "adversity." In the earliest case, *Enzo Biochem, Inc. v. Applera Corp.*, 468 F. Supp. 2d 359 (D. Conn. 2007), the court found no adversity; a month later, the second court in *Rembrandt Technologies, LP v. Comcast Corp.*, 2007 U.S. Dist. LEXIS 9027 (E.D. Tex. Feb. 8, 2007) did. Other courts have continued this split, and so the analysis is fact-intensive.<sup>4</sup>

**g. Prosecution of a patent application can be adverse.**

"Subject matter conflicts" arise when a firm prosecutes similar applications for different clients. There are two separate issues to be concerned about: adversity between clients, and a material limitation on the lawyer's ability to represent one client because of his relationship with another client. See generally, Leonard Raykinsteen, *Ethical Considerations in Intellectual Property Law*, 99 J. Pat. & Trademark Off. Soc'y 47 (2017); Thomas F. Maffei & Debra Squires-Lee, *Important Professional Responsibility Developments for Patent Lawyers and Patent Litigators*, 28 No. 4. Intell. Prop. & Tech. L.J. 12 (Apr. 2016); David D. Dodge, *Direct Adversity, Clients, and Conflicts*, 52-Apr. Ariz. Att'y 10 (Apr. 2016).

With respect to adversity, there are easy cases on both ends of the spectrum. Some instances are plainly conflicts; others, plainly not.

At the end of the spectrum, it is clear that a lawyer could not represent a junior and senior party to an interference, or the patentee and petitioner in an IPR proceeding. Not only are those two clients adverse, but a lawyer may not even ask for consent from clients who have claims against each other in a proceeding to represent each of them in that proceeding. The USPTO Rules as well as most state rules provide that a lawyer may not even ask for consent to represent two clients with claims against each other to represent both of them in that proceeding. At the other end, simply representing clients who economically compete in the market place is not a conflict.

Recent cases have addressed whether two applications are "too close" to each other to create

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<sup>4</sup> *Multimedia Patent Trust v. Apple, Inc.* 2011 U.S. Dist. LEXIS 46237, 98 U.S.P.Q.2d 1655 (S.D. Cal. Apr. 29, 2011). See also *Parallel Iron, LLC v. Adobe Sys. Inc.*, 2013 U.S. Dist. LEXIS 29382 (D. Del. Mar. 4, 2013).

a conflict of interest through adversity. Though addressing the issue, they provided very little guidance. In late 2015, the high court of Massachusetts issued a decision in *Maling v. Finnegan, Henderson, Farabow, Garrett & Dunner, LLP*, 42 N.E.3d 199 (Mass. 2015). Boiled down, the court affirmed the grant of the firm's Rule 12(b)(6) motion to dismiss a complaint that in broad terms alleged that the Finnegan firm had a conflict because it represented the plaintiff and another client in obtaining patents claiming screwless eyeglass hinge inventions. There were two broad issues the court faced: when is prosecution of patents for one client adverse to another, and when are two patent applications so close that prosecuting them creates a material limitation on the lawyer's ability to represent either client.

With respect to adversity, this form of conflict is sometimes viewed as a "finite pie" conflict, where two clients are fighting for a resource that cannot meet both their demands. In *Maling*, the court relied on a case that I've cited for two decades now that involved a firm representing two companies each pursuing a license to a radio channel. The court reasoned there that so long as they were not fighting over the same channel, and there was no electrical interference between the two channels, there was no direct adversity and so no conflict. By analogy, the court's essential holding was that unless patent claims interfere or are too obvious variations of each other, there is no direct adversity. (The court also noted that giving an infringement opinion to one client about another client's patent would be adverse, but that was not alleged, apparently, here.)

With respect to material limitations, this form of conflict arises when a lawyer's obligations to anyone (including himself) precludes him from competently representing a client. The basic test is: imagine what a lawyer without the "obligation" would do; and then ask whether the obligation the allegedly conflicted lawyer had would result in a material limitation. Simple example: if a lawyer represents a car wreck plaintiff, the lawyer generally cannot cross-examine that plaintiff even in an unrelated matter if it doing so would involve, say, exposing eyesight problems that could be used against the plaintiff in the car wreck. The court in *Maling* contrasted the allegations in the complaint to situations where firms have shaved claims for one client to avoid another client's patent. There was nothing like that here, and nothing like what the court suggested might otherwise be a material limitation. The court ended with admonitions to lawyers to be sure to monitor for conflicts carefully, which brings up the next case, where the court granted a motion to disqualify based on a very odd assumption.

The case is *Altova GMBH v. Syncro Soft SRL*, 30 F. Supp.3d 314 (D. Mass. 2018). The facts of this case are a bit unclear, but it seems like Firm A represented Syncro Soft in three trademark-related matters. The first involved responding to a C&D letter from a third party in 2004. The second involved representing Firm A in responding to a C&D letter alleging trade dress and copyright infringement from the party moving for disqualification in this case, Altova, in April 2009 and ending in June 2009. Then in 2010 Firm filed a trademark registration for Syncro Soft and provided other assistance through 2014. The total number of hours on these matters: less than 50.

In October 2011, Firm A had begun to represent Altova in trademark matters and in June 2012 filed suit for Altova against an alleged trademark infringer. In other words, although Firm A had defended Syncro Soft from claims of trade dress and copyright infringement in 2009, from October 2011 through 2014, at least, Firm A was representing both Altova and Syncro Soft though not in matters where each was adverse to the other. The opinion is unclear whether Firm A represented Syncro Soft after 2014.

In June, 2017, Altova asked Firm A to assert a patent that Altova had obtained against Syncro Soft. In July, 2017, Firm A sent a letter to Syncro Soft "terminating" its attorney-client relationship with it (again, it's not clear the firm was doing anything after 2014). The firm did not explain why. It then filed the patent infringement suit for Altova against Syncro Soft.

Syncro Soft moved to disqualify Firm A. The court held that at the time the conflict arose, Syncro Soft was a current client of the firm. Thus, the rule governing current client conflicts, not former client conflicts, controlled. Under that rule, it is unethical for a law firm to be adverse to a current client of the firm. Thus, the firm was disqualified, the court noting that most courts do not permit lawyers to drop a client like a hot potato in order to have the former client conflict rule apply, which permits lawyers to be adverse to a former client, just not in a matter that is substantially related to the work the firm performed for its former client.

So, in many ways, the case is no news. But -- and this is a "wow" statement --the court stated that the firm should have known when Altova obtained its patent that Altova was reasonably likely to sue for patent infringement, and, again, there's no indication the firm obtained the patent for Altova or knew of its existence until Altova approached Firm A in June, 2017. The court nonetheless wrote:

A reasonable lawyer should have known that there was a significant risk that Altova's interests would become adverse to Syncro Soft's concerning their competing XML products no later than November 2016 when Altova's patent issued, and then should have obtained written, informed consent from both clients or withdrawn from representing both parties on that matter. The companies were direct competitors who sold similar XML editor software products. Sunstein knew that Altova vigorously protected its intellectual property rights. In fact, Altova had previously sent Syncro Soft a cease and desist letter related to alleged copyright infringement involving this software. For these reasons, this patent dispute is not the type of unforeseeable development contemplated by Comment 5. See Mass. R. Prof. C. 1.7 cmt. 5.

Hopefully, the case won't be read as standing for the proposition that you need to monitor every patent one client obtains, to make sure you don't have a conflict.

The Office of Enrollment & Discipline in *In re Linden* (No. D-2022-10, OED April 15, 2022) addressed an agreed-upon reprimand shedding some light on the USPTO's position on subject matter conflicts. The practitioner had filed applications for Client 1, then in applications for Client 2 he distinguished, in the specification, the inventions claimed. Then, the examiner cited the published application of Client 1 as material prior art. The OED in part wrote:

Mr. Linden prepared and filed. patent applications for Company 2, including claims that he knew, or reasonably should have known, were not patentably distinct from inventions in patents he previously obtained for Company 1. Mr. Linden acknowledged that (a) he was engaged by Company 2 to develop a portfolio of patents, some of which would be directed to "improvements" over the underlying patents owned by Company 1 and (b) he did not obtain the informed consent of Company 1 to provide such patent law services to Company 2.

#### **h. Giving an opinion to one client about another client's patent can be adverse.**

Courts and bar associations have stated that giving an opinion of counsel about a client's patent to another client is adverse. Virginia Opinion 1774 in substantial part states:

You have presented a hypothetical situation in which an associate attorney ("Associate") in a law firm is assigned a case in which he is asked to write a validity opinion for Client A regarding a patent that Client A is attempting to invalidate. While reviewing this assignment, Associate discovers that the patent in question is held by B, another current client of the firm ("Client B"). Associate brings the issue to his Supervising Partner, suggesting to Supervising Partner that there is a conflict and that in order to proceed with this project, they need to obtain consent from both clients. Supervising Partner disagrees, reasoning that Client A would be adversely affected if Associate did not proceed with the analysis, since Supervising Partner had put in a substantial amount of time on the project before Associate discovered Client B's involvement, and the patents that the firm wrote for Client B were in a different technology than that of the patent Client A is challenging.

Under the facts you have presented, you have asked the committee to opine as to what steps are necessary for the attorneys involved in this situation to take in order to be able to write the validity opinion which Client A requested, assuming the opinion involves Technology X and the firm represents Client B regarding patents in Technology Y. The appropriate and controlling disciplinary rules relative to your inquiry are Rule 1.7...

Applying this provision to the facts you presented, the Committee finds that there is a conflict which, absent consent from both clients, precludes Associate and Supervising Partner from providing further representation and proceeding to prepare the validity opinion for Client A, in light of the discovery that Client B holds the patent in question. Even though another attorney in the firm represents Client B on patents involving different technology than that involved in the patent in question, nevertheless, assisting Client A to invalidate a patent which Client B holds places the attorneys involved in a position directly adverse to an existing client. Invalidating a patent which Client B holds could be detrimental to Client B and could adversely affect the relationship between Client B and the firm. Rule 1.7 (a) directs that representation of Client A can only continue if the attorneys reasonably believe that the representation will not adversely affect the representation of Client B and both clients consent after consultation. Comment 3 to Rule 1.7 is instructive:

As a general proposition, loyalty to a client prohibits undertaking representation directly adverse to that client without that client's consent. Paragraph (a) expresses that general rule. Thus, a lawyer ordinarily may not act as advocate against a person the lawyer represents in some other matter, even if it is wholly unrelated.

It is the Committee's opinion, therefore, that consent must be obtained from both clients after full disclosure in order to continue representation and work for Client A. Under Rule 1.10, none of the attorneys in a firm "shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so" by Rule 1.7. Disqualification under Rule 1.10 may be waived as provided by Rule 1.7. Thus one must consider the fact situation presented from the point of view of the attorney handling Client B's patents. Could he, if alone, represent Client A and prepare a validity statement challenging another patent of

Client B? If not, then neither Associate nor Supervising Partner can do so without the consent required by Rule 1.7. It is the opinion of the Committee, based on the facts herein, that the attorney representing Client B would not be able to represent Client A in these matters and therefore everyone else in the firm is disqualified unless consent is obtained from both clients.

Similarly, the Illinois federal district court in *Andrew* excluded an opinion given to one client about another client's patent. In that case, the accused infringer tried to rely on an opinion of counsel to defend against a charge of willful infringement. The lawyers who had drafted the opinion, however, had, at the time the opinion was written, been affiliated with a firm that was also representing the patentee. When the accused infringer sought to admit the opinion, the patentee objected. The district court held that the opinion was inadmissible because the opinion was deemed to not be competent:

Barnes & Thornburg's conflict, which arose from the concurrent representation of both Andrew and Beverly, who were adverse to one another, prevents Barnes & Thornburg from being able to provide the type of competent, independent advice and opinion letters that the law requires . . . . The only remedy available to enforce adherence to the Rules of Professional Conduct is, to the extent possible, place the parties in the position they would have been in had counsel acted competently in accordance with the Rules of Professional Conduct. Consequently, it appears that to be fair and to uphold the integrity of the profession, no opinion letter by Barnes & Thornburg while laboring under the unwaived conflict of interest, should be used in any manner in this case.

In a third case, the Fulbright firm had provided a non-infringement opinion to a corporation. Later, certain assets of that corporation were acquired by a third party. Fulbright was then retained by the patentee to sue that third party for infringement. The third party settled the case but then sued Fulbright for breach of fiduciary duty. Fulbright was awarded summary judgment, because the third party had only acquired certain assets of Fulbright's former client and so had not succeeded to the attorney-client relationship between Fulbright and its former client.

In addition to adversity, a "pulling punches" claim could be brought by the recipient of the opinion, contending the firm had been materially limited in its ability to give an objective opinion due to its obligations to the owner of the patent. Clearly, opining for one client about another client's patent presents risks.

## **5. When is an Adverse Representation "Substantially Related" to a Prospective Client or to a Prior Representation of a now-Former Client?**

As explained above, a lawyer may be adverse to a former client, but not in a matter substantially related to a prior representation, and a lawyer may be adverse to a prospective client but not in a substantially related matter where the lawyer acquired information that could be significantly harmful to the prospective client. This section addresses "substantial relationships."

Although stated in different ways, courts generally use a three-part test to analyze whether a client's former counsel should be disqualified: whether "(1) a past attorney-client relationship existed between the party seeking disqualification and the attorney it seeks to disqualify; (2) the subject matter of those relationships was/is substantially related; and (3) the attorney acquired confidential

information from the party seeking disqualification.” *Hometown Pizza, Inc. v. Hometown Pizza II, LLC*, 3:22-CV-20-RGJ, 2022 WL 2392642, at \*2 (W.D. Ky. July 1, 2022) (quoting *Dana Corp. v. Blue Cross & Blue Shield Mut. of N. Ohio*, 900 F.2d 882, 889 (6th Cir. 1990) (citing *City of Cleveland v. Cleveland Elec. Illuminating Co.*, 440 F. Supp. 193, 207 (N.D. Ohio 1976), *aff’d sub nom. City of Cleveland v. Cleveland Elec. Illuminating*, 573 F.2d 1310 (6th Cir. 1977)).

As another court put it, to determine if there is a substantial relationship, these questions must be asked:

the following three questions must be addressed:

- (1) What is the nature and scope of the prior representation at issue?
- (2) What is the nature of the present lawsuit against the former client?
- (3) In the course of the prior representation, might the client have disclosed to his attorney confidences which could be relevant to the present action? In particular, could any such confidences be detrimental to the former client in the current dispute?

*Volterra Semiconductor, LLC v. Monolithic Power Sys., Inc.*, CV 19-2240-CFC, 2021 WL 3726914, at \*2–3 (D. Del. June 28, 2021) (quoting *Satellite Fin. Planning Corp. v. First Nat. Bank of Wilmington*, 652 F. Supp. 1281, 1283 (D. Del. 1987) (citations omitted).

As for the “past” relationship, circumstances can make it difficult to determine precisely when, if ever, an attorney-client relationship ended. Yet the end of an attorney-client relationship is extremely significant for purposes of conflicts of interest since a lawyer may be adverse to a former client but just not in certain categories of matters. If the representation has not ended, however, then the “per se” current client rule applies. See *Deere & Co. v. Kinze Mfg. Inc.*, 2021 WL 5334212 (S.D. Iowa Oct. 1, 2021). Which rule applies can be outcome determinative, since if the party seeking to disqualify a lawyer is a former client, the lawyer may be adverse to the former client, but just not in substantially related matters (and a few other areas, detailed below). See *Mindscape, Inc. v. Media Depot, Inc.*, 973 F. Supp. 1130 (N.D. Cal. 1997) (lawyer was disqualified from unrelated adverse representation because he had not yet corrected mistake on patent by recording proper assignee); *Balivi Chem. Corp. v. JMC Ventilation Refrigeration, LLC*, 2008 U.S. Dist. LEXIS 2151 (D. Idaho Jan. 10, 2008) (reserving ruling on the issue for factual investigation as to when adversity arose).

Of course, if the lawyer and client expressly recognize the relationship has ended, such as by a letter from the lawyer to the client so noting, then the question is easy to answer. On the other end of the spectrum, if the lawyer is currently representing the client in a matter, then the representation is ongoing.

In between are the difficult cases, including those where a client has some history of consistently retaining the same firm to represent it in matters, but, at the time the adverse representation arises, the firm is not representing the party in a matter. *Int’l. Bus. Mach. Corp. v. Levin*, 579 F.2d 271 (3rd Cir. 1978); *Ehrlich v. Binghamton City Sch. Dist.*, 210 F.R.D. 17, 25 (N.D.N.Y. 2002) (present client rule applies if “an attorney simultaneously represents clients with differing interests even though the representation ceases prior to filing the disqualification motion); *Gen-Cor, LLC v. Buckeye Corrugated, Inc.*, 111 F. Supp. 2d 1049 (S.D. Ind. 2000) (generally, “a client is a current client if the representation existed at the time the complaint was filed).

If the matter is over, then the second issue is determining “substantial relationship.” A court recently explained the court should look at what the lawyer did for the former client, looking to “the general type of information that the potentially conflicted lawyer would have been exposed to in a normal or typical representation of the type that occurred with the now-adverse client.” *Bowers v. Ophthalmology Grp.*, 733 F.3d 647, 651 (6th Cir. 2013). “What confidential information could have been imparted involves considering what information and facts ought to have been or would typically be disclosed in such a relationship. Consequently, the representations are substantially related if they involve the same client and the matters or transactions in question are relevantly interconnected or reveal the client's pattern of conduct.” *Id.* (quoting *Koch v. Koch Indus.*, 798 F. Supp. 1525, 1536 (D. Kan. 1992)); *see also* Model Rule 1.9 cmt. 3 (“matters are substantially related ... if they involve the same transaction or legal dispute or if there is otherwise a substantial risk that confidential factual information as would normally have been obtained in the prior representation would materially advance the client's position in the subsequent matter.”). “[T]he former client is not required to reveal the confidential information learned by the lawyer in order to establish a substantial risk that the lawyer has confidential information to use in the subsequent matter.” *Bowers*, 733 F.3d at 651 (quoting Model Rule 1.9 cmt. 3). “This analysis essentially makes the final two prongs... interdependent on one another.” *Dirksing v. Safeco Ins. Co. of Illinois*, 544 F. Supp. 3d 767, 771 (E.D. Ky. 2021). *See Hometown Pizza, Inc. v. Hometown Pizza II, LLC*, 3:22-CV-20-RGJ, 2022 WL 2392642, at \*2 (W.D. Ky. July 1, 2022).

“In the context of patent litigation, a party who is moving to disqualify counsel must generally demonstrate “a fairly close legal and factual nexus between the present and prior representations.”); *Network Apps, LLC v. AT&T Mobility LLC*, 21 CIV. 718 (KPF), 2022 WL 1119331 (S.D.N.Y. Apr. 14, 2022) (analyzing patent matters) (quoting *Regalo Int'l, LLC v. Munchkin, Inc.*, 211 F. Supp. 3d 682, 689 (D. Del. 2016)). The outcome of motions to disqualify in patent cases tend “to turn on whether there is an understandable connection between prior patent work done by the law firm at issue and the patents or technology areas at issue in the current litigation.” *Id.* at 690; *see also Decora Inc. v. DW Wallcovering, Inc.*, 899 F. Supp. 132, 138 (S.D.N.Y. 1995) (disqualifying attorney whose prior representation related to the validity of the patent that was directly at issue in the present case); *Sonos, Inc. v. D & M Holdings Inc.*, No. 14 Civ. 1330 (RGA), 2015 WL 5277194, at \*4 (D. Del. Sept. 9, 2015) (finding no substantial relationship between prior and present cases even though there was some overlap in the legal issues between the prior and current representations because both involved patent litigation and the attorney had some understanding of the prior client's “general strategy.”).

Generally, a former client's litigation strategy is not considered in deciding a motion for disqualification. *See Network Apps, LLC v. AT&T Mobility LLC*, 21 CIV. 718 (KPF), 2022 WL 1119331, at \*12 (S.D.N.Y. Apr. 14, 2022); *Emps. Ins. Co. of Wausau v. Munich Reinsurance Am., Inc.*, No. 10 Civ. 3558 (PKC), 2011 WL 1873123, at \*5 (S.D.N.Y. May 16, 2011) (“General ‘litigation thinking’ — the general strategic plan or hopes of the lawyer and client on how best to pursue or defend claims — does not satisfy, without more, the substantial relationship test.”); *see also Sonos, Inc.*, 2015 WL 5277194, at \*4 (finding that no relevant confidential information was disclosed where counsel's prior representation occurred six years prior to the instant litigation and involved unrelated patents and technology, and noting that “[a]t most, Defendants disclosed their general strategy for handling patent litigation, which is not enough to warrant disqualification”); *cf. In re Namenda Direct Purchaser Antitrust Litig.*, No. 15 Civ. 7488 (CM), 2017 WL 3613663, at \*7 (S.D.N.Y. Aug. 21, 2017)

(granting motion to disqualify expert witness in case involving propriety of settlement agreement between parties, where expert had knowledge of movant's litigation and settlement strategy).

A February 22, 2018 order in *Merial Inc. et al. v. Abic Biological Labs. Ltd* (Sup. Ct. N.Y.), enjoined King & Spalding from representing Abic Biological Labs ("Abic") and Phibro Animal Health Corporation ("Phibro") in an ICC arbitration where Abic and Phibro were adverse to Merial Societe Par Actions Simplifiee ("Merial SAS"), which was a former K&S client.

The evidence appears to be that K&S had represented Merial SAS, and related entities, from 1998 to at least 2011 concerning transactions and litigation in the animal health and vaccine space. K&S had also for many years represented Phibro and related entities in the animal health and vaccine space.

Merial SAS was acquired by Boehringer Ingelheim GmbH ("Boehringer") in 2017, and K&S had represented an affiliate of Boehringer until December 2017. In the summer of 2017, Merial and Boehringer became cross-wise, and until then, none of the Merial parties knew that K&S had been representing Phibro.

In the summer of 2017, K&S wrote a letter to the person that it had often interacted with, the head of prosecution and litigation at Merial SAS (Dr. Jarecki-Black), explaining that K&S was representing Abic and Phibro in a licensing dispute they had with Merial SAS (and other entities). Dr. Jarecki-Black responded by asserting that K&S' representation presented a conflict of interest and demanding that K&S withdraw. A few weeks later, the firm refused, explaining in a letter that it had represented different corporate entities in the matters Dr. Jarecki-Black pointed to, the matters were in all events unrelated to the ICC licensing dispute, and no K&S lawyer who was working against Merial SAS in the ICC matter had represented it previously. In response, Merial SAS reiterated its positions, and its letter also made a new (and very odd) argument: because the license in dispute included a New York choice of law clause, a California lawyer from K&S who was representing Phibro was engaged in the unauthorized practice of law. In its final letter, K&S reiterated that there was no substantial relationship between its work for and the work against Merial SAS, and made short shrift of the odd argument about the unauthorized practice of law.

It seems the parties could not agree on who was right, and instead Merial SAS filed suit in New York seeking an injunction to prevent K&S from being adverse to it (and Boehringer, and affiliated entities) in the ICC.

The court enjoined K&S. What struck me as quite concerning was that there was no overlap between patents or licenses K&S had worked on for Merial SAS and those in the ICC arbitration. Instead, the court noted that K&S "clearly knows a great deal about how the Merial entities approach issues relating to patents and licenses in the animal health and animal vaccine space." The trial court emphasized that Merial SAS had relied on "a highly credentialed ethicist, Roy D. Simon" and noted that, although the decision was for the court to make, "King & Spalding offered no expert testimony to rebut Mr. Simon's expert opinion." The court then noted that "a reasonable lawyer like Mr. Simon came to the conclusion that King & Spalding's multiple representations of [Merial SAS entities] on issues meaningful to the limited number of players in the animal health and animal vaccine space would materially advance Abic and Phibro's interests vis-a-

vis Merial," particular because Dr. Jarecki-Black "will play an integral role in Merial's defense" in the arbitration.

There are several things of note. First, it is unusual for actual injunctions to be sought (rather than disqualification), and usually injunctions are litigated quite differently from motions to disqualify, but K&S appeared to litigated this as a basic disqualification motion. Second, from the opinion, at least, the injunction was granted based upon what is called "playbook" information -- knowing how a client litigates or otherwise behaves, not actual specific confidential information -- which is also atypical in some jurisdictions. Third, and from afar, this was not correctly decided, which underscores the point that whenever a firm is faced with a disqualification motion, it should consider the need for expert testimony (and Professor Simon is a highly credentialed ethicist; I don't think he knows much about patents or licensing), and the need to show -- although it's the other side's burden -- there is no real risk of misuse of confidential information.

## **6. Consent and Prospective Consent**

As stated above, engagement letters can be used to avoid conflicts by clearly identifying who (or what) is, or is not, being represented.

The enforceability of an advance consent to a conflict generally turns on "the extent to which the client reasonably understands the material risks that the consent entails. The more comprehensive the explanation of the types of future representations that might arise and the actual and reasonably foreseeable adverse consequences to the client of those representations, the greater the likelihood that the client will have the requisite understanding." Model Rule 1.7, Comment [9]. "The experience and sophistication of the client, and whether the client is independently represented, are also relevant in determining whether the client reasonably understands the risks involved." CA Eth. Op. 2021-205 (2021). *See also, Visa U.S.A. Inc. v. First Data Corp.* (N.D. Cal. 2003) 241 F.Supp.2d 1100, 1106; *Simpson Strong-Tie Company, Inc. v. Ox-Post International, LLC*, 2018 WL 3956430, \*13 (N.D. Cal. 2018). Where the issue is advance consent to a future representation of an identified client in an unrelated matter, see *Visa U.S.A. Inc. v. First Data Corp.*, 241 F.Supp.2d 1100 (N.D. Cal. 2003).