



Ethics and Intellectual Property



David Hricik

Professor of Law

Associate Dean for Faculty Research & Development

Mercer Law School

Macon, Georgia

**Happy to respond to e-mailed questions:
David@Hricik.com**

Paper and Talk

1. Paper: more detail and additional topics.

2. Talk:
 - Brief word about choice of law when litigating in Fifth Circuit.
 - Tension between competent pre-suit investigations, negotiations, and just daily practice and the rule against improper communications with persons “represented by counsel” in a “matter.”
 - Conflicts of interest, including conflicts arising from lack of clear client identity.
 - If time, a new OED case hinting at its view of “subject matter conflicts” in prosecution.

Choice of Law: Always Check in the Fifth Circuit

- Some Texas Rules differ in text or interpretation from Model Rules.
- In Fifth Circuit (and some other circuits):
 - Forum state's rules do not control;
 - Model Rules do not control; but
 - “National standards” control.
- Best practice: follow most stringent rule
 - Easy: if written communication required by one set of rules but not another, put in writing.
 - Hard: if there is no conflict between clients under one set of rules, but there is under another, which is more stringent?

Competency and Conflicts

1. Competency:

- Rules bar communicating with a person known to be “represented by counsel” in a matter and can be violated during negotiations, transactions, pre-suit investigations – and just by replying-to-all on an email from opposing counsel.

2. Disqualification patterns:

- Lawyers fail to identify who they represent, potentially losing business or depriving clients of their services when needed.
- Joint prosecution clauses get in-house counsel sued, cause waiver of privilege, and create conflicts.

Competently Investigating and Negotiating: The Two Categories of People

If a person is “represented by counsel” in a “matter:” a lawyer shall not communicate with that person about that matter.

If a person is not represented by counsel in a matter: a lawyer may communicate with that person about that matter, but carefully.

The problem: people opposing counsel clearly does *not* represent are...
represented by opposing counsel!

Model Rule 4.3 and Texas Rule 4.03: Communicating With Unrepresented Persons

- “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.”

Texas Rule 4.02 and Model Rule 4.2: Communicating With a Person Known to be “Represented” in a “Matter”

Texas Rule 4.02

“In representing a client, a lawyer shall not communicate or cause or encourage another to communicate about the subject of the representation with a person, organization or entity of government the lawyer knows to be represented by another lawyer regarding that subject, unless the lawyer has the consent of the other lawyer or is authorized by law to do so.”

Model Rule 4.2

“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.”

Note: No exception for the person to consent!

Model Rule 4.2 and Texas Rule 4.02: *Who* is Represented in a Matter by an Entity's Counsel?

Model Rule 4.2

1. Constituent of organization who supervises, directs or regularly consults with the organization's lawyer concerning the matter.
2. Constituent who has authority to obligate organization with respect to the matter.
3. Constituent whose act or omission in connection with the matter may be imputed to organization for purposes of civil or criminal liability.

Texas Rule 4.02

1. Persons presently having a managerial responsibility with an organization that relates to the subject of the representation.
2. Persons presently employed by such organization or entity and whose act or omission in connection with the subject of representation may make the organization vicariously liable for such act or omission.

If no “Matter” or Person Isn’t “Represented”

When is there a “matter”?

- After suit, a “matter” exists.
 - A “matter” can exist before suit, but no bright lines, but as of date of anticipation of litigation, there likely is a “matter.”
- In negotiating an agreement or license, likely a “matter” exists.

Not Represented by Entity’s Counsel

- Other current employees.
- All former employees.

So: if no matter or person isn’t “represented” in it, can communicate about it but Model Rule 4.3 or Texas Rule 4.03 applies.

People who are not represented by opposing counsel are represented by opposing counsel

When Representing an Entity

- Lawyers must ensure constituents understand they represent the entity, not any individual constituent.
 - *E.g.*, corporate investigations.
 - Even in single member LLCs!

When Opposing an Entity

- Lawyers must avoid communicating with certain constituents of opposing parties... even though opposing counsel only represents the entity, not those constituents!

Violations? The Paper Counts the Ways

- During pre-suit investigations in patent, trademark, false advertising cases to uncover grey market, counterfeit goods, *etc.*
- During litigation or a transaction, when lawyer directly communicates with opposing client.
- By replying to emails from opposing counsel copying a “represented person.”

Dareltech, LLC v. Xiaomi Inc.,
2019 WL 10966202 (S.D.N.Y. Apr. 11, 2019)

- Patentee sued defendant, who moved to dismiss for lack of personal jurisdiction and improper venue, attaching an affidavit swearing it had no offices/sold no products in SDNY.
- To oppose, patentee's counsel at a trade show recorded defendant's employees saying it had an office and sold products in SDNY.
- Patentee used that evidence in an affidavit to oppose motion and assert defendant had committed perjury.
- Court found Rule 4.2 violation, excluded that evidence, sanctioned lawyers, but did not disqualify them.

Opposing Counsel CCs a “Represented Person” on an E-mail to you, and you Reply to all

“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).

11/3/22 ABA Opinion: Consent is Implied by Sender, but...

- “[T]he 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.”
- 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.”).

What if Your Client Wants to Communicate Directly with a “Represented Person”?

Your client *can* communicate with a represented opposing party... but:

- Model Rule 8.4: you can't assist or induce a client to do what you can't do.
- Texas Rule 4.02 cmt.: you can't “cause” or “encourage” contact with represented person.

Can you Coach Your Client on What to say to, or ask the Other Side... in an E-mail?

- No: “Even if Client A initiates the communication with Client B, a represented adverse party, Lawyer A must not instruct Client A to convey a particular message because... a lawyer cannot violate the Oregon Rules of Professional Conduct through the acts of another.” Oregon Eth. Op. 2005-147.
- Maybe: Texas Rule 4.02; *San Francisco Unified Sch. Dist. ex rel. Contreras v. First Student, Inc.*, 153 Cal. Rptr. 3d 583 (2013); ABA Formal Eth. Op. 11-461 (2011).

Even if Opposing Counsel is not Forwarding to Your Settlement Offers to his Client???

“Defendants’ counsel had doubts as to whether plaintiff’s counsel had actually forwarded the \$35,000 offers to plaintiff. He therefore advised his client to send the offer directly to plaintiff, which his client did. Although a client can decide on its own whether to directly contact his adversary, a lawyer cannot advise a client to contact his adversary, or do anything that the attorney could not do directly. *See* ABA Formal Opinion 11-461. It is of course improper for a lawyer to contact a represented adversary, and thus since he can’t do it himself, he can’t put up his client to do it for him either.”

-- *Panora v. Deenora Corp*, 2021 WL 5712119 (E.D.N.Y. Dec. 2, 2021).

What to do

- Remember: people are “represented by counsel” but may not seem like the other side’s “client.”
- Because of the split on whether a lawyer may reply to all (and lack of authority in most jurisdictions), doing so may be held improper.
- Even if consent to reply-all is implied, the scope of the email to you limits the scope of your reply.
- Eliminate uncertainty:
 - Don’t reply-to-all absent express consent from opposing counsel.
 - Don’t cc your clients (added benefit: no unintended reply-to-all).
 - Expressly state in an email cc-ing your client whether reply-all is permitted.

2. Conflicts of Interest: The Importance of Client Identity

- Model Rule 1.7: lawyer may not be adverse to a current client of her firm.
- Texas Rule 1.06: lawyer may be adverse to a current client of her firm, but not if it is substantially related.
- Exceptions include consent.
- A lawyer may be adverse to a former client of the firm, but not in a substantially related matter.
 - Exceptions include consent.

Note: Fifth Circuit: lawyer may not be adverse unless “exceptional circumstances.”

Conflicts of Interest: Who is the Client?

- a. Affiliates of a corporate client: which affiliates will a court hold you or your outside counsel represent if its left unclear?
- b. The recurring “implied client” problem from joint prosecution clauses in licenses, joint development agreements, and elsewhere.

a. Corporate Families & Client Identity

- If a Dell entity retains your firm, does your firm also represent some or all of Dell's parents, subsidiaries, affiliates...?
 - If you agree that by representing one Dell entity, you will treat some or all Dell entities as clients, then they are.
 - If you clearly disclaim loyalty to other Dell entities, then you don't represent them.
 - If you leave it unclear, the courts may define your "clients" in unpredictable ways.

Here's how Courts Determine Whether a Lawyer Represents an Affiliate

Does the “real” client and its affiliate (the potential adversary):

- share a legal department?
- share same officers, directors, or management?
- have overlapping personnel?
- share substantial number of corporate services?
- have integrated infrastructure (*e.g.*, internal networks, email servers)?
- have common health benefits, letterhead, *etc.*?

You may Represent all of These Dell Entities, or you may not...

Company Name	Country
3401 Hillview LLC	United States
900 West Park Drive LLC	United States
A.W.S. Holding, LLC	United States
Adstebe Limited	Ireland
AirWatch LLC	United States
AirWatch Technologies India Private Ltd.	India
Arkinnet Software Private Limited	India
ASAP Software Express Inc	United States
Boomi, Inc.	United States
Bracknell Boulevard (Block C) LLC	United States
Bracknell Boulevard (Block D) LLC	United States
Bracknell Boulevard Management Company Limited	United Kingdom
Branch of Dell (Free Zone Company L.L.C)	Saudi Arabia
Cloud Credo Limited	United Kingdom
Cohpack Limited	United Kingdom
Conchango (Holdings) Limited	United Kingdom
Conchango Limited	United Kingdom
Configuresoft International Holdings, Inc.	United States
Credant Technologies GmbH	Germany
Credant Technologies International, Inc.	United States
Credant Technologies, Inc.	United States
Data Domain Bermuda LLC	United States
Data Domain Data Storage India Private Limited	India
Data Domain International III LLC	United States
Data Domain LLC	United States
Data General International Inc.	United States
DCC Executive Security Inc.	United States
Decho Technology India Private Limited	India
Dell (Chengdu) Company Limited	China
Dell (China) Company Limited	China

What to do?

- Understand what uncertain means for every new matter: it means losing some potential business.
- If a “Dell” demands “complete loyalty,” is the new matter worth what it requires giving up?
- If you are asked to be adverse to an affiliate of a client and there is no clear client definition, carefully analyze the facts to assess potential risks.

b. Prosecution Cooperation Clauses and Implied Clients

- You're counsel (in-house or outside) for Client A.
- You're prosecuting applications for Client A.
- Client A & Party B have an agreement (joint development; license; other forms) which has this clause:

“Client A shall manage and have the primary responsibility to file, prosecute, and maintain the patent applications, but Party B shall have reasonable opportunity to comment and advise on office actions, prosecution, and other filings.”

- Party B has its own lawyers representing it.

Prosecution Proceeds

- Client A's lawyers send Party B's lawyers emails and updates, as required, and often label them "privileged and confidential."
 - Common interest privilege: privileged communications may be shared with non-client if non-client shares a common "legal" interest with client.
- All is good.

What's Everyone's(?) Goal?



PRIV

Common
Interest
Privilege

PRIV

You file response

But then one day....

- You see Party B has done something “wrong.”
- Example: an app publishes that, you think, claims subject matter that rightfully belongs to your client (or the joint effort), but app names only Party B inventors.

Suppose...

- You take corrective action at USPTO.
 - But then... Party B sues you for breach of fiduciary duty because, it says, you *also* represented it, not just Client A (and so unethically acted adversely to it at USPTO).
- You represent Client A in the suit with Party B.
 - But then... Party B moves to disqualify you because, it says, you were *also* Party B's lawyers (and so are now unethically adverse to it in a substantially related matter).
- In both, you object to producing communications with your client.
 - But then... Party B moves to compel, saying you had *jointly* represented it and Client A (and there is no privilege among joint clients).

DePuy Ortho. v. Ortho. Hosp.

- In-house lawyer of Client DePuy.
- Client D has agreement with Party O with that clause.
- Client D's in-house lawyer prosecutes applications.
- Dispute develops, and Party O moves to compel all communications between Client D and its in-house lawyer about prosecution.
- Client D argues that, while there is a common interest privilege, its in-house counsel never represented Party O, so they weren't joint clients, so privilege subsists.
- Court: Client D's in-house lawyer represented both it and Party O as joint clients, and so no privilege between them...

What's that mean?



PRIV

Common
Interest
Privilege

PRIV

You file response

What to do

- In future agreements: ensure clause states the parties intend for a common interest privilege, but lawyers don't represent other side.
- In existing relationships....?
- In every relationship: watch for confusion as to client identity and take reasonable opportunities to dispel it
- Red flag: other party is not represented at all in the prosecution.
- Red flag: your firm represents Party B in *other* matters.

We had time!

- In *In re Linden* the OED addressed a prosecution subject matter conflict of interest.
- Facts:
 - Practitioner filed applications for Company 1.
 - Then practitioner filed applications for Company 2 that distinguished its inventions over those claimed Company 1's application
 - Then examiner cited Company 1's published application as material prior art
- Result: practitioner agreed to public reprimand.
- Hint at OED's view on what is a subject matter conflict...

How Close is too Close?

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.

Thank You

Happy to respond to e-mailed questions:
David@Hricik.com