Ethical Issues at the Intersection of Patent Prosecution and Litigation

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Patent Prosecution & Litigation

- Duty of Disclosure and Duty of Confidentiality
- Disqualification of Prosecutor-Litigator
- Duty of Disclosure and Protected Information
- Conflicts Resulting from Allegations of Inequitable Conduct

Patent Prosecution & Litigation

Duty of Disclosure and Duty of Confidentiality

- Relevant Rules
  - 37 C.F.R. § 1.56 (Appendix, A6)
    - Duty to disclose information material to patentability
  - GA Rule of Prof. Conduct 3.3 (Appendix, A4)
    - Duty to disclose all material facts to tribunal in an ex parte proceeding
  - GA Rule of Prof. Conduct 1.6 (Appendix, A1)
    - Lawyer may reveal information to the extent necessary to comply with other law

- Relevant Cases
  - Sperry v. State of Fla., 373 U.S. 379 (1963)
    - State could not enjoin a non-lawyer registered to practice before the United States Patent Office from prosecuting patent applications in state, notwithstanding that such activity constituted practice of law within the state.

Patent Prosecution & Litigation

Disqualification of Prosecutor-Litigator

- Relevant Cases
  - U.S. Steel Corp. v. United States, 730 F.2d 1465 (Fed. Cir. 1985)
    - Standard for competitive decision-making.
  - In re Sibia Neurosciences, Inc., No. 525, 1997 WL 688174 (Fed. Cir. Oct. 22, 1997) (Unpublished)
    - Mere fact that litigator also prosecutes does not require disqualification.
    - DQ unnecessary where prosecutor-litigator was not involved in product design or development, scientific research, sales, marketing.
  - Interactive Coupon Marketing Group, Inc. v. H.O.T! Coupons, LLC, No. 98 C 7408, 1999 WL 618969 (N.D. Ill. Aug. 9, 1999)
    - DQ of prosecutor-litigator who was "intimately familiar" with client's technology and business operations and "participated in several high level management meetings regarding intellectual property."

Patent Prosecution & Litigation

Disqualification of Prosecutor-Litigator

- Relevant Cases
  - Chan v. Intuit, Inc., 218 F.R.D. 659 (N.D. Cal. 2003)
    - Declined to follow In re Sibia as non-precedential.
    - DQ due to patent prosecution alone, as "advice on the scope of patent claims must also be defined as competitive decision-making."
  - Mikohn Gaming Corp. v. Acres Gaming, Inc., 50 U.S.P.Q.2d 1783 (D. Nev. 1998)
    - Declined to follow In re Sibia as non-precedential.
    - Characterized prosecution advice rendered patent counsel as "intensely competitive."
  - Motorola, Inc. v. Interdigital Tech. Corp., No. 93-488-LON. No. 93-488, 1994 WL 16189689 (D. Del. Dec. 19, 1994)
    - Granted prosecution bar on the basis that prosecutor-litigators are incapable of segregating confidential information obtained from litigation from information used during prosecution.

Patent Prosecution & Litigation

Duty of Disclosure and Protected Information

- Relevant Rules
  - 37 C.F.R. § 1.56 (Appendix, A6)
    - Duty to disclose information material to patentability
  - M.P.E.P. § 724.04 (Appendix, A8)
    - Information submitted to PTO under seal will become available to the public if determined material

Patent Prosecution & Litigation

Inequitable Conduct Allegations

- Relevant Rules
  - GA Rule of Prof. Conduct 1.7(b)
    - Material limitation resulting from personal interest of the lawyer
  - GA Rule of Prof. Conduct 3.7
    - Advocate-witness rule

Patent Prosecution & Litigation

Inequitable Conduct Allegations

- Relevant Cases
  - Lex Tex Ltd. v. Skillman, 579 A.2d 244 (D.C. 1990)
    - Patents held unenforceable by the Federal Circuit resulting in the reversal of a $9 million judgment in favor of the patentee.
    - Patentee sued the lawyers for having failed to disclose the pertinent prior art to the PTO twenty years before.
  - Environ Prods. Inc. v. Total Containment Inc., 41 U.S.P.Q.2d 1302 (E.D. Pa. 1995)
    - Denying motion for protective order to preclude deposition of prosecuting-litigator where prosecutor-litigator's mental impressions during the reexamination proceedings were relevant to inequitable misconduct.
  - Hay & Forage Indus. v. Ford New Holland, Inc., 132 F.R.D. 687 (D. Kan. 1990)
    - Denying motion to quash subpoena of prosecutor-litigator where prosecutor-litigator's meeting with the patent examiner were relevant to the defense of inequitable conduct.

Patent Prosecution & Litigation

Things to consider when handling patent prosecution and litigation for a client (or clients in similar technologies):

- Be mindful that multiple ethical rules (USPTO rules, specific state rules, etc.) may apply.
- The Federal Circuit has not provided specific, authoritative guidance on granting a prosecution bar or disqualifying from litigation.
- Be aware that M.P.E.P. § 724.02 delays but does not prevent publication of protected information material to patentability.
- Consider whether the particular representation may run afoul of the witness advocate rule.
- Acting as trial counsel in litigation subsequent to prosecution may result in conflicts barring representation.

Patent Litigation & Opinions

- Disqualification of Attorney/Firm
- Deposition/Examination of Attorney
- Scope of Waiver of Attorney/Client Privilege
- Financially Interested Attorney

Patent Litigation & Opinions

Disqualification of Attorney/Firm

- Relevant Rules
  - 37 C.F.R. § 10.66(d) (Appendix, A7)
    - DQ of a member of a firm DQ's firm
  - GA Rule of Prof. Conduct 3.7 (Appendix, A5)
    - Firm may represent client even if member of firm is DQ
  - ABA Model Code of Prof. Resp. DR 5-101-102 (Appendix, A9-A10)
    - DQ of a member of Firm DQs Firm, unless "uncontested matter"

Patent Litigation & Opinions

Disqualification of Attorney/Firm

- Relevant Cases
  - Crossroads Sys., Inc. v. Dot Hill Sys. Corp., 2006 WL 1544621(W.D. Texas 2006)
    - DQ of Firm as trial counsel due to members of firm drafting non-infringement opinions concerning accused products at trial.
  - Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 2000 WL 1655054 (S.D.N.Y. 2000)
    - No DQ of opining attorney from serving as trial counsel; finding the opinion letter was neither testimonial nor a contested matter; describing disqualification as a "drastic remedy."
  - Rohm & Haas Co. v. Lonza, Inc., 1999 WL 718114 (E.D. Pa. 1999)
    - DQ of opining attorneys from participating as trial counsel; finding opinion letters to be testimonial.
  - Amsted Indus. Inc. v. Nat'l Castings, Inc., 1990 WL 106548 (N.D. Ill. 1990)
    - No DQ even though Court permitted examination of opining attorney who was also serving as trial counsel.

Patent Litigation & Opinions

Deposition/Examination of Attorney

- Relevant Cases
  - NewRiver, Inc. v. Newkirk Prods., Inc., 2008 WL 5115244 (N.D.N.Y. 2008)
    - Allowing deposition of opining attorney, who was also serving as trial counsel, but limiting questioning to only communications with the client regarding the opinion letter and specifically excluding questions targeting the attorney's state of mind.
  - Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 2000 WL 1655054 (S.D.N.Y. 2000)
    - No need to examine opining attorney at trial because (1) opinion letter may be introduced through testimony of client recipient; (2) opinion letter is offered only on the issue of willful infringement to evidence the client's willfulness or lack thereof; (3) opinion letter is non-testimonial; (4) opinion letter is competent on its face.

Patent Litigation & Opinions

Deposition/Examination of Attorney

- Relevant Cases Con't
  - Clintec Nutrition Co. v. Baxa Corp., 1996 WL 153881 (N.D. Ill. 1996)
    - Allowing deposition of opining attorneys, who were also serving as trial counsel, "about the bases of their opinions in order to put flesh on the question whether [defendant's] reliance on their opinions was reasonable and in good faith."
  - Amsted Indus. Inc. v. Nat'l Castings, Inc., 1990 WL 106548 (N.D. Ill. 1990)
    - Allowing examination of opining attorney, who was also serving as trial counsel, concerning the extent and accuracy of information provided to him by the client with request for opinion letter, specifically if certain material information was withheld.

Patent Litigation & Opinions

Scope of Waiver of Attorney/Client Privilege

- In re Seagate, 497 F.3d 1360 (Fed. Cir. 2007)
  - "[W]e hold, as a general proposition, that asserting the advice of counsel defense and disclosing opinions of opinion counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel."
  - BUT … "We do not purport to set an absolute rule. Instead, trial courts remain free to exercise their discretion in unique circumstances to extend waiver to trial counsel, such as if a party or counsel engages in chicanery."
  - Conclusions were directed to situations in which opinion counsel was separate and distinct from trial counsel.
  - Did not address situation where trial counsel is the same (or of the same firm) as opinion counsel.

Patent Litigation & Opinions

Scope of Waiver of Attorney/Client Privilege

- Relevant Cases
  - Alloc, Inc. v. Pergo, LLC, 2010 WL 3808977 (E.D. Wis. 2010)
    - Refusing to extend waiver of privilege to new trial counsel, where defendant had briefly employed opinion counsel as first trial counsel and the two counsels never concurrently represented the client
    - Considered timing of (1) receipt of opinion letters, (2) complaint, and (3) hiring of trial counsel
  - NewRiver, Inc. v. Newkirk Prods., Inc., 2008 WL 5115244 (N.D.N.Y. 2008)
    - Limiting deposition of opining attorney, who was also serving as trial counsel, to only communications with the client regarding the opinion letter and specifically excluding questions targeting trial related communications and strategies.

Patent Litigation & Opinions

Scope of Waiver of Attorney/Client Privilege

- Relevant Cases Con't
  - Celerity, Inc. v. Ultra Clean Holding, Inc., 476 F. Supp. 2d 1159 (N.D. Cal. 2007)
    - Extending waiver of privilege to trial counsel for communications on the *subject matter* of the opinion letter relied upon, where opinion counsel and trial counsel were of the same firm.
    - Relied in part on pertinent California ethics rule.
  - Novartis Pharm. Corp. v. Eon Labs Mfg., 206 F.R.D. 396 (D. Del. 2002)
    - Extending waiver of privilege to all legal advice received from either opinion counsel or trial counsel (of the same firm) with regard to the subject matter of the opinion where the defendant "elected to engage in the unconventional and risky arrangement of having opinion and trial counsel from the same law firm" and allow the opining attorney to enter an appearance in the matter.

Patent Litigation & Opinions

Financially Interested Attorney

- Relevant Cases
  - Yamanouchi Pharm Co. v. Danbury Pharm., Inc., 21 F. Supp. 2d 366 (S.D.N.Y 1998), aff'd, 231 F.3d 1339 (Fed. Cir. 2000)
    - Discrediting the opinion of opinion counsel who had "a stake in the outcome."
    - Opining attorney was not to be directly compensated for drafting the opinions, but instead would receive a percentage of profits of associated product sales if patent challenge was successful.

Patent Litigation & Opinions

Things to consider when handling patent litigation and opinion work for a client (or clients in similar technologies):

- Consider whether you need to draft the opinion letter.
- Ask yourself whether you would be interested in representing the client at trial.
- Consider whether the opinion letter should be produced.
- Be mindful of possible disqualification as trial counsel (both attorney and firm).
- Be aware of possible deposition/examination.
- Consider the scope of waiver.
- Consider possible state ethical rules that may apply.

Patent Prosecution & Opinions

Client Conflict

- Relevant Rules
  - 37 C.F.R. § 10.66 (Appendix, A7)
  - GA Rule of Prof. Conduct 1.7 (Appendix, A2)
    - Duty to Current Clients
  - GA Rule of Prof. Conduct 1.9 (Appendix, A3)
    - Duty to Former Clients
  - ABA Model Code of Prof. Resp. DR 5-105 (Appendix, A11)

Patent Prosecution & Opinions
Client Conflict

- Relevant Cases & Opinions
  - Andrew Corp. v. Beverly Mfg. Co., 415 F. Supp. 2d 919 (N.D. Ill. 2006)
    - Prohibiting presentation of opinion letters at trial where opinion letter drafted on behalf of the defendant by opinion counsel characterized the references of the plaintiff, who was also a client of the opinion counsel, in a manner adverse to that of the plaintiff.
  - Virginia Legal Ethics Opinion 1774 (Appendix, A12)
    - Finding a conflict under Virginia State Ethical Rules in similar, generalized hypothetical.

Patent Prosecution & Opinions

Things to consider when handling patent prosecution and opinion work for a client (or clients in similar technologies):

- Consider whether you need to draft the opinion letter.
- Ask yourself whether there is a direct client conflict.
- Ask yourself whether there is a subject matter conflict and whether that conflict can be waived.
- Be mindful of possible disqualification of opinion letter in litigation.
- Consider whether the opinion letter should be produced.
- Be mindful of possible state ethical rules that may apply.
- Be mindful of possible USPTO ethical rules that may apply.

Appendix

GA Rule of Professional Conduct 1.6

Confidentiality of Information

(a) A lawyer shall maintain in confidence all information gained in the professional relationship with a client, including information which the client has requested to be held inviolate or the disclosure of which would be embarrassing or would likely be detrimental to the client, unless the client consents after consultation, except for disclosures that are impliedly authorized in order to carry out the representation, or are required by these rules or other law, or by order of the Court.

(b) (1) A lawyer may reveal information covered by paragraph (a) which the lawyer reasonably believes necessary:

(i) to avoid or prevent harm or substantial financial loss to another as a result of client criminal conduct or third party criminal conduct clearly in violation of the law;
(ii) to prevent serious injury or death not otherwise covered by subparagraph (i) above;
(iii) to establish a claim or defense on behalf of the lawyer in a controversy between the lawyer and the client, to establish a defense to a criminal charge or civil claim against the lawyer based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the lawyer's representation of the client.

(2) In a situation described in Subsection (1), if the client has acted at the time the lawyer learns of the threat of harm or loss to a victim, use or disclosure is permissible only if the harm or loss has not yet occurred.

(3) Before using or disclosing information pursuant to Subsection (1), if feasible, the lawyer must make a good faith effort to persuade the client either not to act or, if the client has already acted, to warn the victim.

(c) The lawyer may, where the law does not otherwise require, reveal information to which the duty of confidentiality does not apply under paragraph (b) without being subjected to disciplinary proceedings.

(d) The lawyer shall reveal information under paragraph (b) as the applicable law requires.

(e) The duty of confidentiality shall continue after the client-lawyer relationship has terminated.

The maximum penalty for a violation of this Rule is disbarment.

GA Rule of Professional Conduct 1.7

Conflict of Interest: General Rule

(a) A lawyer shall not represent or continue to represent a client if there is a significant risk that the lawyer's own interests or the lawyer's duties to another client, a former client, or a third person will materially and adversely affect the representation of the client, except as permitted in (b).

(b) If client consent is permissible a lawyer may represent a client notwithstanding a significant risk of material and adverse effect if each affected or former client consents, preferably in writing, to the representation after:

(1) consultation with the lawyer,

(2) having received in writing reasonable and adequate information about the material risks of the representation, and

(3) having been given the opportunity to consult with independent counsel.

(c) Client consent is not permissible if the representation:

(1) is prohibited by law or these rules;

(2) includes the assertion of a claim by one client against another client represented by the lawyer in the same or substantially related proceeding; or

(3) involves circumstances rendering it reasonably unlikely that the lawyer will be able to provide adequate representation to one or more of the affected clients.

The maximum penalty for a violation of this Rule is disbarment.

GA Rule of Professional Conduct 1.9

Conflict of Interest: Former Client

(a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client consents after consultation.

(b) A lawyer shall not knowingly represent a person in the same or a substantially related matter in which a firm with which the lawyer formerly was associated had previously represented a client:

(1) whose interests are materially adverse to that person; and

(2) about whom the lawyer had acquired information protected by Rules 1.6: Confidentiality and 1.9(c): Conflict of Interest: Former Client, that is material to the matter; unless the former client consents after consultation.

(c) A lawyer who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter shall not thereafter:

(1) use information relating to the representation to the disadvantage of the former client except as Rule 1.6: Confidentiality of Information or Rule 3.3: Candor Towards the Tribunal would permit or require with respect to a client, or when the information has become generally known; or

(2) reveal information relating to the representation except as Rule 1.6: Confidentiality of Information or Rule 3.3: Candor Towards the Tribunal would permit or require with respect to a client.

The maximum penalty for a violation of this Rule is disbarment.

GA Rule of Professional Conduct 3.3

Candor to the Tribunal

(a) A lawyer shall not knowingly:

(1) make a false statement of material fact or law to a tribunal;

(2) fail to disclose a material fact to a tribunal when disclosure is necessary to avoid assisting a criminal or fraudulent act by the client;

(3) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or

(4) offer evidence that the lawyer knows to be false. If a lawyer has offered material evidence and comes to know of its falsity, the lawyer shall take reasonable remedial measures.

(b) The duties stated in paragraph (a) continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by Rule 1.6.

(c) A lawyer may refuse to offer evidence that the lawyer reasonably believes is false.

(d) In an ex parte proceeding, other than grand jury proceedings, a lawyer shall inform the tribunal of all material facts known to the lawyer that the lawyer reasonably believes are necessary to enable the tribunal to make an informed decision, whether or not the facts are adverse.

The maximum penalty for a violation of this Rule is disbarment.

GA Rule of Professional Conduct 3.7

Lawyer as Witness

(a) A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness except where:

(1) the testimony relates to an uncontested issue;

(2) the testimony relates to the nature and value of legal services rendered in the case; or

(3) disqualification of the lawyer would work substantial hardship on the client.

(b) A lawyer may act as advocate in a trial in which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7 or Rule 1.9.

The maximum penalty for a violation of this Rule is a public reprimand.

37 C.F.R. § 1.56

Duty to disclose information material to patentability

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)-(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) Prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) The closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office.

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A *prima facie* case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

(e) In any continuation-in-part application, the duty under this section includes the duty to disclose to the Office all information known to the person to be material to patentability, as defined in paragraph (b) of this section, which became available between the filing date of the prior application and the national or PCT international filing date of the continuation-in-part application.

37 C.F.R. § 10.66

Refusing to accept or continue employment if the interests of another client may impair the independent professional judgment of the practitioner

(a) A practitioner shall decline proffered employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(b) A practitioner shall not continue multiple employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitioner's representation of another client, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.

(c) In the situations covered by paragraphs (a) and (b) of this section, a practitioner may represent multiple clients if it is obvious that the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each.

(d) If a practitioner is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other practitioner affiliated with the practitioner or the practitioner's firm, may accept or continue such employment unless otherwise ordered by the Director or Commissioner.

M.P.E.P. § 724.04

Office Treatment and Handling of Materials Submitted Under MPEP § 724.02

The exact methods of treating and handling materials submitted under MPEP § 724.02 will differ slightly depending upon whether the materials are submitted in an original application subject to the requirements of 35 U.S.C. 122 or whether the submission is made in a reissue application or reexamination file open to the public under 37 CFR 1.11(b) or (d). Prior to publication, an original application is not open to the public under 35 U.S.C. 122(a). After the application has been published under 35 U.S.C. 122(b)(1), copies of the file wrapper of the pending application are available to any member of the public who has filed a request under 37 CFR 1.14(a)(1)(ii) or (a)(1)(iii). See MPEP § 103.

If the application file and contents are available to the public pursuant to 37 CFR 1.11 or 1.14, any materials submitted under MPEP § 724.02 will only be released to the public with any other application papers if no petition to expunge (37 CFR 1.59) was filed prior to the mailing of a notice of allowability or notice of abandonment, or if a petition to expunge was filed and the petition was denied. Prior to the mailing of the notice of allowability or notice of abandonment, the examiner will review the patent application file and determine if a petition to expunge is in the application file but not acted upon. If the application is being allowed, if the materials submitted under MPEP § 724.02 are found not to be **>material to patentability<, the petition to expunge will be granted and the materials will be expunged. If the materials are found to be **>material to patentability<, the petition to expunge will be denied and the materials will become part of the application record and will be available to the public upon issuance of the application as a patent. With the mailing of the notice of abandonment, if a petition to expunge has been filed, irrespective of whether the materials are found to be **>material to< patentability, the petition to expunge will be granted and the materials expunged.

Upon receipt of the submission, the transmittal letter and the envelope or container will be date stamped and brought to the attention of the examiner or other Office employee responsible for evaluating the submission. The receipt of the transmittal letter and envelope or container will be noted on the "Contents" of the application or reexamination file. For Image File Wrapper (IFW) processing, see IFW Manual section 3.6. In addition, the face of the application or reexamination file will have the notation placed thereon to indicate that trade secret, proprietary, or protective order material has been filed. For Image File Wrapper (IFW) processing, see IFW Manual section 3.6. The location of the material will also be specified. The words "TRADE SECRET MATERIALS FILED WHICH ARE NOT OPEN TO PUBLIC" on the face of the file are sufficient to indicate the presence of trade secret material. Similar notations will be made for either proprietary or protective order materials

ABA Model Code of Professional Responsibility DR 5-101

Refusing Employment When the Interests of the Lawyer May Impair His Independent Professional Judgment

(A) Except with the consent of his client after full disclosure, a lawyer shall not accept employment if the exercise of his professional judgment on behalf of his client will be or reasonably may be affected by his own financial, business, property, or personal interests.

(B) A lawyer shall not accept employment in contemplated or pending litigation if he knows or it is obvious that he or a lawyer in his firm ought to be called as a witness, except that he may undertake the employment and he or a lawyer in his firm may testify:

(1) If the testimony will relate solely to an uncontested matter.

(2) If the testimony will relate solely to a matter of formality and there is no reason to believe that substantial evidence will be offered in opposition to the testimony.

(3) If the testimony will relate solely to the nature and value of legal services rendered in the case by the lawyer or his firm to the client.

(4) As to any matter, if refusal would work a substantial hardship on the client because of the distinctive value of the lawyer or his firm as counsel in the particular case.

ABA Model Code of Professional Responsibility DR 5-102

Withdrawal as Counsel When the Lawyer Becomes a Witness

(A) If, after undertaking employment in contemplated or pending litigation, a lawyer learns or it is obvious that he or a lawyer in his firm ought to be called as a witness on behalf of his client, he shall withdraw from the conduct of the trial and his firm, if any, shall not continue the representation in the trial, except that he may continue the representation and he or a lawyer in his firm may testify in the circumstances enumerated in DR 5-101(B) (1) through (4).

(B) If, after undertaking employment in contemplated or pending litigation, a lawyer learns or it is obvious that he or a lawyer in his firm may be called as a witness other than on behalf of his client, he may continue the representation until it is apparent that his testimony is or may be prejudicial to his client.

ABA Model Code of Professional Responsibility DR 5-105

Refusing to Accept or Continue Employment If the Interests of Another Client May Impair the Independent Professional Judgment of the Lawyer.

(A) A lawyer shall decline proffered employment if the exercise of his independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would likely to involve him in representing differing interests, except to the extent permitted under DR 5-105(C).

(B) A lawyer shall not continue multiple employment if the exercise of his independent professional judgment in behalf of a client will be or is likely to be adversely affected by his representation of another client, or if it would be likely to involve him in representing differing interests, except to the extent permitted under DR 5-105(C).

(C) In the situations covered by DR 5-105(A) and (B), a lawyer may represent multiple clients if it is obvious that he can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of his independent professional judgment on behalf of each.

(D) If a lawyer is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other lawyer affiliated with him or his firm, may accept or continue such employment.

Virginia Legal Ethics Opinion 1774
Firm Writing Patents for One Client and Also Writing Patents for Competitor of the First Client

You have presented a hypothetical situation in which an associate attorney (AAssociate@) 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 (AClient 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, which governs conflicts of interest between existing clients, Rule 1.10, the imputed disqualification rule and Rule 5.1, which addresses the responsibilities of a partner or supervising attorney to his/her firm and those other attorneys over whom he/she has supervisory authority.

Rule 1.7 provides:

(a) A lawyer shall not represent a client if the representation of that client will be directly adverse to another existing client, unless:

(1) the lawyer reasonably believes the representation will not adversely affect the relationship with the other client; and

(2) each client consents after consultation.

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:

[3] 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. (Emphasis added.)

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 Ashall 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.

Finally, the Committee is concerned about the application of Rule 5.1(c) to this set of facts. Rule 5.1(c) states:

(c) A lawyer shall be responsible for another lawyer=s violation of the Rules of Professional Conduct if:

(1) the lawyer orders or, with knowledge of the specific conduct, ratifies the conduct involved; or

(2) the lawyer is a partner in the law firm in which the other lawyer practices, or has direct supervisory authority over the other lawyer, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

This Rule makes partners and supervisory attorneys in a firm equally responsible for ethical violations which attorneys under their supervision commit. (1) Based on the facts presented, Supervising Partner would find himself in violation of Rule 5.1(c)(1). Associate presented the conflict issue to Supervising Partner who, according to the facts, did not disagree that there was a conflict, but rather determined that the clients simply would not be contacted to obtain consent because Client A would be detrimentally affected by the attorneys terminating representation at this point since Supervising Partner had already expended a substantial amount of time on the project and the matter has been with the firm for some time prior to it being assigned to Associate. As for Client B, Supervising Attorney takes the position that because the firm represents Client B with regard to patents in a technology other than that involved in the patent Client A is challenging, there is no need to inform Client B of the representation of Client A and/or obtain Client B=s consent to that representation. Supervising Partner has therefore ordered and ratified the inappropriate conduct in contravention of Rule 5.1(c)(1). The conflict exists without question and the only way that representation of either client can continue is to disclose the representation and conflict to both clients and obtain their consent. Supervising Partner, based on the facts presented, breached his responsibility of ethical supervision, as outlined by Rule 5.1, in his response to Associate=s concerns regarding this conflict of interest .

This opinion is advisory only, based only on the facts you presented and not binding on any court or tribunal.

Committee Opinion
February 13, 2003

1The committee notes that the Virginia State Bar consciously refrained from adopting Rule 5.2 of the ABA Model Rules as that provision contains language relieving an associate of ethical responsibility in certain instances where a supervising attorney has directed the conduct in question.