

Ethics in Today's Patent Practice
for Washington Practitioners

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I. Choice of Law

A. The Important Role of the Rules, Especially in Federal Court

At the outset, disciplinary rules of a state are just that – disciplinary rules. Invariably, they state that they should not be used as a basis for determining disqualification or civil liability – but they are routinely used in those proceedings. However, the courts disagree on precisely their role: are they controlling, “minimum standards,” or merely guideline for the court to consider in determining an ethical issue?

Thus, while the focus in many parts of this article are on disciplinary rules and authorities interpreting them, in actual practice the rules may not bind a state court in a disqualification matter. Moreover, federal courts are deeply divided – sometimes even within the same circuit – on what role state disciplinary rules play in deciding federal ethical issues.

This is important because many patent practitioners litigate beyond their home state. What may be proper in Washington state court or in the Ninth Circuit may be entirely inappropriate in the Eastern District of Virginia, for example.

Compounding matters, patent litigation is (hopefully) in federal court. But federal courts disagree on what, if any, role state ethics rules have in determining ethical issues. One common approach to determining *ethical issues* facing counsel appearing in federal court litigation, is to disqualify counsel if it is appropriate under *either* “federal common law” *or* ethical rules (state or Model Rules) adopted by a court’s local rules.¹

Thus, for example, in a recent case involving *ex parte* contacts with opposing parties, a federal court wrote:

While this court utilizes the Rules of Professional Conduct as adopted by the Supreme Court of Virginia... it must nevertheless “look to federal law in order to interpret and apply those rules” and should not “abdicate to the state's view of what constitutes professional conduct even in diversity cases.”²

Under this approach, no one set of rules controls. As another federal court explained in deciding a disqualification motion under this approach:

In their submissions to the Court, the parties have cited extensively to the Iowa Code of Professional Responsibility and the corresponding Iowa case law. As KBA does in its brief, the Court will structure its argument around the framework of the Iowa Code of Professional Conduct for the sake of simplicity. The

¹ See *Santillana v. Florida St. Ct. Sys.*, 2010 WL 4567827 (M.D. Fla. Nov. 3, 2010) (“Motions

² *Lewis v. CSC Transp., Inc.*, 202 F.R.D. 464, 466 (W.D. Va. 2001).

Court recognizes, however, that “[m]otions to disqualify are substantive motions affecting the rights of the parties and are determined by applying standards developed under federal law.” *In re Dresser Indus., Inc.*, 972 F.2d 540, 543 (5th Cir. 1992). Thus, in ruling on Goss’s motion to disqualify, the Court will look to both the Iowa Code of Professional Responsibility and the ethical rules “announced by the national legal profession.” *Id.*³

Under this approach, a court cannot rely solely on state ethics rules, even if the district court has adopted them. Instead, the court must examine all of the various ethical rules and sources... including the A.B.A Model Rules, the A.B.A. Model Code, and the Restatement (Third) Law Governing Lawyers.⁴ Where those standards conflict -- and they often do (why, otherwise, would we have district rules?) -- the lawyer must weigh the approach of each and decide on the proper rule. Thus, for example, in *Doctor John’s* the court applied Eighth Circuit precedent, not Iowa case law, in deciding a motion to disqualify brought by a former client.

It is important, as a result, to not become myopic on state disciplinary rules, even in state court, and even if the district court’s local rules adopt them as “controlling.”

B. The Questionable Value of Federal Precedent in State Court

On the flip side, state courts recognize that they should not follow federal case law, since those courts do not follow state rules. One state court recently stated that it could rely on federal authorities “for the basic framework and underlying principles of a motion to disqualify analysis; however, it must look primarily to the Virginia authority when interpreting Virginia’s code of ethics....⁵

C. The USPTO Code of Professional Conduct and Washington Lawyers

Practice before the USPTO is governed by the PTO’s own unique code. Generally speaking, most choice of law rules would end up applying *only* the PTO Code to a practitioner’s conduct before the Office. In other words, even if a disciplinary proceeding were brought by the Washington bar, it would likely apply the PTO Code to the proceeding.⁶

³ *Goss Graphics Sys., Inc. v. Man Roland Drunkmaschinen Aktiengesellschaft*, 2000 WL 34031492, *4 (N.D. Iowa May 25, 2000). See *Doctor John’s, Inc. v. City of Sioux City, Iowa*, 2007 WL 5788 (N.D. Iowa 2007)(“In ruling on a motion to disqualify counsel, the court must look to both Iowa law and the ethical rules announced by the national legal profession.”).

⁴ See *In re Dresser Indus.*, 972 F.2d 540 (5th Cir. 1992).

⁵ *Sharp v. Sharp*, 2006 WL 3088067 (Va. Cir. Ct. Oct. 26, 2006).

⁶ See Wa. R. 8.5(b)(1) (if lawyer’s conduct occurs before a tribunal, its rules should apply).

II. Client Identity and Related Problems

A. Prosecution Under Licenses or Joint Development Agreements

1. Co-Client, Not The Other Party to an Agreement?

Joint development agreements are common, particularly in the biotech sector, and often between universities and pharmaceutical entities. Under these arrangements, typically two entities agree to jointly develop technology – who will own a particular patent to be determined based upon which entity’s employees invented it – and one entity will typically “control” prosecution subject to some obligation by that entity to the other entity, such as an obligation to keep it informed about prosecution activities, to confer with it ahead of time, or to confer in good faith. For example, a recent dispute, discussed below, arose out of this language (paraphrased from the court’s partial quotation):

The filing, prosecution and maintenance of the patent applications shall be managed by and the primary responsibility of [one party] but the other parties to the agreement shall have reasonable opportunity to comment and advise.

Many variations on the theme exist.

Patent licenses probably existed since soon after the first patent was granted. In recent decades, however, provisions that divide – to one degree or another -- responsibility for patent prosecution among licensor and licensee have become more common. An article recently collected potential clauses for use in licenses, and included among them were these two alternatives:

During the term of this Agreement, the prosecution, filing and maintenance of all Patent Rights and applications in the United States and in the foreign countries shall be the primary responsibility of OWNER; provided, however, LICENSEE shall have reasonable opportunities to advise OWNER and shall cooperate with OWNER in such prosecution, filing and maintenance. All final decisions with respect to prosecution of any application, continuations, continuations-in-part and reissue applications, and selection of patent counsel are reserved to OWNER.

And this alternative, which for reasons that become clear below has benefits over the one above:

LICENSEE shall, in the name of OWNER, apply for, seek issuance of, and maintain during the term of this Agreement the Patent Rights in the United States and in foreign countries. The

prosecution, filing and maintenance of all Patent Rights and applications shall be the primary responsibility of LICENSEE. LICENSEE shall seek patent extension for patents licensed under the Patent Rights in the United States and in such foreign countries as may be designated by LICENSEE, under such applicable laws and regulations throughout such countries, where such patent extension rights are available currently or are available in the future. LICENSEE shall keep OWNER advised as to all developments with respect to the Patent Rights and shall supply to OWNER copies of all correspondence and papers received in connection therewith within ten (10) business days of receipt or filing thereof. LICENSEE shall provide all correspondence to and advise OWNER in a timely manner in order to permit OWNER to comment on all actions before they are taken by LICENSEE's patent counsel. All final decisions with respect to prosecution of the Patent Rights are reserved to OWNER.⁷

In just the past two years, several disputes have arisen out of failed joint development agreements. So far three have resulted in reported opinions, and they split – with two of the three finding an attorney client relationship -- but even the decision finding no attorney-client relationship's approach to resolution of client identity indicates that it is better to be clear about who is the client than to leave it to be decided in later litigation. In particular, the courts' application of typical attorney-client relationship law to this context leaves much to be desired.

In the earliest case, *Merck Eprova AG v. Prothera, Inc.*, 670 F. Supp.2d 201 (S.D.N.Y. 2009), Merck and Bayer entered into a joint development agreement on particular technology. The agreement provided that jointly developed inventions would be prosecuted jointly, with Bayer “direct[ing] and control[ing] the preparation, filing, and prosecution of the patent applications in the name of [Merck and Bayer].” If Bayer decided not to file in a certain country, Merck was to be given opportunity to file an application on its behalf. Finally, each party agreed to keep the other party informed and to deliver promptly papers pertaining to prosecution.

Bayer retained the law firm of Frommer, Lawrence, and Hoag (“FLH”). The firm obtained an assignment from an employee of Merck to both Bayer and Merc, and a power of attorney from him. Then, Merck filed a trademark suit against another FLH client, Prothera. An FLH lawyer appeared on Prothera's behalf, and Merck moved to disqualify, arguing that FLH represented it, as well as Bayer, because of the joint development agreement.

⁷ Mark S. Holmes, *Selected Provisions of a Technology License*, PLI Order No. 29008 (2011). Mr. Holmes emphasizes that these are not model provisions but were selected from licenses that reflect the type of provisions in use.

The district court agreed. After noting that Merck employees testified that they had always believed that FLH was representing both Merck and Bayer, the court stated that whether there was an attorney-client relationship “hinges upon the client’s [reasonable] belief that he is consulting a lawyer in that capacity and his manifested intention to seek professional and legal service.”⁸

The court then reasoned, however, that the traditional test for finding an attorney-client relationship did not apply. That test would have looked at whether there was a fee agreement, whether the party paid the lawyer, and other factors. Instead, the court relied on cases finding community of interest and joint privilege in various cases, and reasoned that because the parties would have a common legal interest, this meant it was reasonable for Merck to believe FLH had represented it. In reaching its conclusion, the court stated:

Here, there is no dispute that Bayer and Merck intended to file joint patent applications and that Bayer engaged FLH to prosecute those applications. It was therefore reasonable for Bayer and Merck to understand that they were joint clients of FLH even though Bayer alone dealt with FLH, who had represented it in prior matters.⁹

The court also noted that the fact that a Merck employee had provided an assignment and power of attorney “should have been an indication to FLH that FLH was acting on behalf of both co-owners.”¹⁰

In the second case involving a joint development agreement, *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC.*,¹¹ several entities entered into a joint invention and marketing agreement. One of them, Whitehead Institute for Biomedical Research (“Whitehead”), was given “primary responsibility” for filing, prosecuting, and maintaining patent applications and patents, subject to an obligation to let other parties to the agreement – all of which appear to be large sophisticated entities with their own counsel, including the plaintiff Max-Planck -- “reasonable opportunity to comment and advise.” Whitehead retained the Boston law firm of Wolf Greenfield & Sacks (“WGS”) to prosecute applications. All of the named inventors, employees of each of the parties to the contract, revoked powers of attorney that had been given another firm and gave substitute powers of attorney naming WGS as attorneys before the Office.

⁸ *Id.*, quoting *Diversified Group, Inc. v. Daugerdas*, 139 F. Supp.2d 445, 454 (S.D.N.Y. 2001) (brackets in original).

⁹ 670 F. Supp.2d at 211.

¹⁰ *Id.* at n.5.

¹¹ 736 F. Supp.2d 353 (D. Mass. Sept. 2010). I was told that the case was vacated upon settlement, but that fact, if true, does not show up on Westlaw and does not diminish the risk created by the provisions discussed here.

WGS wrote to Whitehead, and only Whitehead, stating that it was glad to have been retained as Whitehead's counsel. Consistent with the agreement between the parties, WGS while prosecuting the applications sent various papers to Max-Planck and others for comment and sought and received what the court characterized as legal advice concerning them. Again, this is what the agreement contemplated: control by Whitehead subject to input from the other signatories to the agreement.

When a dispute arose over whether certain language had been properly included in one of the applications being prosecuted by WGS, Max-Planck sued WGS, contending that there was an attorney-client relationship between WGS and that, due to the conflict, WGS was representing conflicting interests in breach of its duty of loyalty.

The district court held as a matter of law that WGS had an attorney-client relationship with Max-Planck under Massachusetts' law. Under that state's case *DeVaux*, an attorney client relationship could be express, or implied "when (1) a person seeks advice or assistance from an attorney, (2) the advice or assistance sought pertains to matters within the attorney's professional competence, and (3) the attorney expressly or impliedly agrees to give or actually gives the desired advice or assistance."¹²

After rejecting WGS's argument that *Sun Studs* controlled,¹³ the court rotely applied the three *DeVaux* factors and held that WGS had represented, not just Whitehead, but also Max-Planck. Thus, even though the provision of legal services was done pursuant to a contractual obligation between WGS's client, Whitehead, and Max-Planck, and even though that contract made clear that Whitehead had primary responsibility for prosecution subject only to reasonable consultation with the other parties, the court implied an attorney-client relationship.

In addition, the court in the alternative held that there was a fiduciary duty owed, separately, because WGS had obtained a power of attorney from Max-Planck. Under Massachusetts law, "an execution of a power of attorney creates a fiduciary relationship."¹⁴ Thus, even though in giving the power Max-Planck knew that WGS would subordinate its interests to those of Whitehead, which controlled prosecution, the court held that WGS owed each Whitehead and Max-Planck equal duties of undivided loyalty.

¹² *Id.* quoting *DeVaux v. Am. Home Assurance Co.*, 444 N.E.2d 355, 357 (Mass. 1983) (internal citations omitted in original).

¹³ The court relied upon *Merck Eprova AG v. Pro-Thera, Inc.*, 670 F. Supp.2d 201, 212 (S.D.N.Y. 2009) for the proposition that *Sun Studs* provides "no guidance with respect to the issue of joint representation of co-owners of patent rights." In my view, this is a broad over-reading of *Merck*.

¹⁴ *Id.* (collecting cases).

In a case involving a license, *Layne Christensen Co. v. Purolite Co.*,¹⁵ a patentee, Dr. Sungupta, licensed his patent to a licensee. In part, the license stated:

Except as set forth in Section 4.1.1, [licensee] shall be responsible for determining the patent prosecution strategy for the Licensed Inventions and for filing, prosecuting and maintaining all Licensed Patents at Licensee's expense. [Licensor] shall cooperate with [Licensee] in regard thereto and shall take all actions requested by [Licensee] in connection therewith. In addition, [Licensor] will supply any additional information relating to the inventions described in the Licensed Patents that [Licensee] may reasonably request from time to time.

The licensor then entered into a contract with a third-party, Purolite under which Purolite agreed to prosecute certain foreign counterparts to the licensed technology. That agreement provided in part:

[Licensee] is currently in the process of applying for a United States patent related to the [product] on behalf of [Licensor], to which [Licensee] has exclusive worldwide rights. Purolite will be responsible during the Term, at its own cost, for worldwide patent filings in those countries they deem appropriate following the issuance of U.S. patent(s). Purolite will keep [Licensee] informed of the progress of such patent applications, and will allow [Licensee] the ability to review and comment on all correspondence and official documentation relating thereto. Purolite will promptly inform [Licensee] of any decisions it may make not to pursue certain patents or related applications (which shall be limited to those made in good faith business judgment). [Licensee] will have the right to pursue any such patents and related applications in its sole name and at its expense, and Purolite agrees to provide reasonable assistance requested by [Licensee] in that process.

Purolite then retained Law Firm A to prosecute those foreign counterpart applications.

Later, a dispute arose between licensee (actually a successor-in-interest) and the licensor, on the one hand, and Purolite. They terminated the license and sued for patent infringement of the U.S. patent.

The law firm which by then employed the lawyer who had filed the foreign counterparts for Purolite showed up to represent Purolite in the infringement suit. SenGupta and the licensee then moved to disqualify, arguing

¹⁵ ___ F. Supp.2d ___, 2011 WL 1113543 (D. Kan. March 24, 2011).

that by filing the foreign cases, the lawyer had represented SenGupta who, after all, would own any patents that issued.

After a lengthy fact-intensive analysis, the court denied the motion to disqualify. Among other things, it held that there was no express or implied attorney-client relationship between SunGupta and Purolite. It based its holding only after applying a multi-factor test. The court stated:

Thus the question arises: Does the work of counsel for the licensee in prosecuting foreign patent applications, including receipt of information from the inventor and identifying him by name as applicant, and resulting in a benefit to him, create an implied attorney-client relationship with the inventor? To answer this question, the Court considers a number of factors: (1) whether licensee and inventor were jointly prosecuting the patent applications, (2) the nature of licensee counsel's communication and interactions with the inventor (were the communications solely technical in nature), (3) whether the inventor chose licensee's counsel, (4) whether it was clear that licensee's counsel was working on behalf of the licensee rather than the inventor (did counsel receive instructions from inventor, whether counsel provided legal advice to inventor), (5) whether licensee's counsel had a fiduciary duty to the inventor, and (6) whether the inventor had a reasonable belief that licensee's counsel was also representing him.¹⁶

Based on a lengthy application of these factors and a comparison to prior cases, the court held there was no implied attorney-client relationship.

2. A Critique of These Cases and Their Approach.

Each of these cases applied the state's generic, traditional approach to determine whether an attorney-client relationship existed, one that courts use to determine whether a lawyer has an attorney-client relationship with a party – a *single* party. What the fact patterns involve, however, is something quite different: implying that a lawyer who clearly represents one party *also* represents a second party. Implying that a lawyer who represents one party also represents a second ignores the context.

Other courts have recognized this, though not in the context intellectual property. In *Sky Valley Ltd. P'ship. v. ATX Sky Valley, Ltd.*, 150 F.R.D. 648 (N.D. Cal. 1993), the court analyzed whether a lawyer had joint clients: if he did, then he could not assert privilege in a dispute between those two parties. The

¹⁶ *Id.*

court engaged in a lengthy analysis of whether to imply that the lawyer represented an *additional* party.¹⁷

There are a great many factors that the courts should take into account when deciding whether an implied contractual relationship exists for purposes of the joint client exception. These pertinent circumstances generally will include: the conduct of the party and counsel, what the party and counsel communicated to one another (both about their relationship and about other things, taking special note of any communications from the party to counsel that courts would not expect the party to have made if it had not considered itself to be a joint client of the lawyer), what drove the party to communicate with the lawyer and the lawyer to communicate with the party (considering especially whether the party was obligated to communicate what it did to the lawyer or was free to decide whether or not to make the communications to the lawyer), the capacity in which the party communicated with the lawyer and the capacity in which the lawyer communicated with the party, whether (with respect to matters on which the party and the lawyer communicated) *the party played a decision-making role comparable to the role that the law empowers clients to play, whether the party was free to ignore the lawyer's advice or was bound to act in conformity with directives from the lawyer, whether the party paid or was obligated to pay the lawyer for her services, the relative sophistication of the party and the magnitude or significance of the interests of the party that were implicated in the matters covered by the alleged attorney-client relationship (the more sophisticated the party, and the more significant the interests affected, the more skeptically courts should view arguments that it was reasonable to rely on an implied attorney-client contract), and whether and to what extent the party also consulted or had access to any other lawyers during the relevant time period and with respect to the subject matter as to which that party is seeking to invoke the joint client exception.*

Moreover, since the ultimate question is whether the law will deem two (or more) parties to have been “joint clients” of a particular lawyer, *it also is necessary (in conducting this inquiry into all the relevant circumstances) to analyze all pertinent aspects of the relationship and dynamics between (a) the party that claims*

¹⁷ It is important to emphasize that here the issue was whether the lawyer had two clients, not whether a client and a non-client shared a common interest such that communications among them were protected from disclosure to third parties. Those cases are inapposite to the question that these courts should be addressing. *See also Shukh v. Seagate Tech. LLC*, 2011 WL 6849053 (D. Mn. Dec. 15, 2011) (rejecting inventor’s argument that, because there was a common interest privilege with assignee, there was no privilege as between the two in a dispute).

to have been a joint client and (b) the party that clearly was a client of the lawyer in question. This analysis should include (but not necessarily be limited to) (1) the conduct of the two parties toward one another, (2) the terms of any contractual relationship (express or implied) that the two parties may have had, (3) any fiduciary or other special obligations that existed between them, (4) the communications between the two parties (directly or indirectly), (5) whether, to what extent, and with respect to which matters there was separate, private communication between either of them and the lawyer as to whom a “joint” relationship allegedly existed, (6) if there was any such separate, private communication between either party and the alleged joint counsel, whether the other party knew about it, and, if so, whether that party objected or sought to learn the content of the private communication, (7) the nature and legitimacy of each party's expectations about its ability to access communications between the other party and the allegedly joint counsel, (8) whether, to what extent, and with respect to which matters either or both of the alleged joint clients communicated privately with other lawyers, (9) the extent and character of any interests the two alleged joint parties may have had in common, and the relationship between common interests and communications with the alleged joint counsel, (10) actual and potential conflicts of interest between the two parties, especially as they might relate to matters with respect to which there appeared to be some commonality of interest between the parties, and (11) if disputes arose with third parties that related to matters the two parties had in common, whether the alleged joint counsel represented both parties with respect to those disputes or whether the two parties were separately represented.¹⁸

Other courts have applied these principles in other contexts.¹⁹

3. What to Do?

These cases and the approach they take present a real trap for lawyers and their clients in representations of parties to joint development agreements, licenses, and no doubt other contexts. While the holding is suspect and may not be followed broadly, the case clearly teaches several lessons. One lesson is that leaving the identity of the client to later litigation may prove costly even if the lawyer prevails. That can lead to unnecessary withdrawals or declination of potential new representations, disqualification, and perhaps liability. Those consequences benefit no one. As a result, here are some other observations.

¹⁸ *Id.* at 652 (emph. added).

¹⁹ *E.g., Luna Gaming-San Diego LLC v. Dorsey & Whitney, LLP*, 2009 WL 587801 (S.D. Cal. March 6, 2009); *Luna Gaming-San Diego LLC v. Dorsey & Whitney, LLP*, 2008 WL 4492617 (S.D. Cal. Sept. 30, 2008).

First, a license, joint development agreement, or engagement letter should go far enough to eliminate doubt. The firm can apprise other parties to the joint development agreement or license as to the client's identity.

Second, any agreement can expressly state that the prosecuting firm would not owe fiduciary duties to any other party but that all communications would be made in furtherance of a common interest in prosecuting the cases.

Third, while the two steps above can help prospectively, practitioners who are representing clients who are parties to similar arrangements should review the agreements to ascertain if they are clear about attorney-client relationships. If not, and if there appears to be ambiguity that could result in misunderstanding, the practitioner should consider whether to take steps to alert those who he does not represent that this is the case -- after, of course, consulting with the client about the need for these measures.

B. Inventors

If the case law is any indication, the person in patent prosecution most likely to claim to be confused about who the lawyer did and did not represent is the inventor. Where the company has had its employees assign their inventions to the company, generally the assignee, not the employee, is the client.²⁰

Several courts have held that an attorney prosecuting a patent does not have an attorney-client relationship with the inventor in both the disqualification and malpractice context.²¹ These cases recognize that, at least in the usual case, the lawyer will have been hired by the assignee; his attorney-client retention agreement will be with the assignee; and he will not have rendered legal advice to the inventor. As a result, the lawyer will not have represented the inventor.

²⁰ See generally, Tarek N. Fahmi, *Who's Your Client? Issues Involved in Representing Inventors and their Assignees in Patent Matters*, 824 PLI/Pat 737 (2005). *In re Ducane Gas Grills, Inc.*, 320 B.R. 312, 320-21 (Bankr. D. S.C. 2004); *University of W. Va. Bd. of Trustees v. Vanvoorhies*, 33 F. Supp.2d 519 (N.D. W.Va. 1998); *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 836 F.2d 1332, 1337 (Fed. Cir. 1988); *Sun Studs, Inc. v. Applied Theory Assocs., Inc.*, 772 F.2d 1557, 1568 (Fed. Cir. 1985); *Kersey v. Dennison Mfg. Co.*, 1992 WL 71390, *3 (D. Mass. 1992). See also *Shannon v. Gordon*, 670 N.Y.S.2d 887 (N.Y. Sup. Ct. 1998) (affirming dismissal of suit brought by inventor against attorney who had allegedly forged assignment because there was no attorney-client relationship between inventor and attorney); Gregory E. Upchurch, *Intellectual Property Litigation Guide: Patents and Trade Secrets*, § 12:8 ("the mere fact that a person executes a power of attorney does not ipso facto create an attorney-client relationship."); Lisa B. Kole, *Ethics in Technology Protection*, 573 PLI/Pat 71 (Oct. 1999).

²¹ E.g., *Emory Univ. v. Nova Biogenetics, Inc.*, 2006 WL 2708635 (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"); *Univ. of W. Va. Bd. of Trustees v. Van Voorhies*, 33 F.Supp.2d 519 (N.D. W. Va. 1998) (same); *Shannon v. Gordon*, 670 N.Y.S.2d 887 (N.Y. App. Div. 1998) (affirming dismissal of complaint brought by inventor against assignee's attorney for malpractice).

However, the muddy waters of real life often lead to circumstances that will present a fact question as to who the lawyer represented, particularly in jurisdictions that give weight to the subjective belief of the person claiming to have been a client. In typical prosecution work, the practitioner may have met with the inventor and may have casually referred to the inventor in correspondence or billing records as a “client.” This type of evidence--common in malpractice cases--has special importance in those jurisdictions that take into account the subjective belief of the person who claims to have been a client.²² 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.²³

Under some state laws, the inventor need not establish that he was represented, but instead show only that the lawyer knew he thought he was represented *or*, arguably, that the lawyer was negligent in not recognizing the misapprehension and correcting it.²⁴ Jurisdictions relying on subjective beliefs are particularly troublesome for attorneys who prosecute patents, since they will most frequently interact with the inventor, who may not understand their role.

As a consequence, outside counsel needs to take care to ensure that engagement letters specify not only who *is* the client, but who is *not* the client. Perhaps more importantly, persons who the lawyer interacts with, but does not represent, must know the identity of the client, and know that they are not clients. Providing the inventor with a letter stating that the attorney represents the

²² Even where a party needs to establish objective evidence of an agreement by the lawyer to represent the person as a client, evidence such as this may defeat a lawyer’s motion for summary judgment.

²³ *Henry Filters, Inc. v. Peabody Barnes, Inc.*, 611 N.E.2d 873, 877-78 (Ct. App. Ohio 1992).

²⁴ *See Parker v. Carnahan*, 772 S.W.2d 151, 157 (Tex. App. – Texarkana 1989, writ denied) (lawyer has duty to warn person he does not represent him “where the circumstances lead the party to believe that the attorney is representing him.”).

assignee may not be sufficient in all circumstances. Instead, in some circumstances, a letter that expressly negates any representation of the inventor may be in order.²⁵ Where appropriate, the inventor should assign the invention to the corporate employer, and any power of attorney should be obtained from the corporation, not the inventor. In addition, the attorney can provide a letter to the inventor explaining that the client is only the corporate employer, and not the inventor.

Finally, some other issues may be implicated. In *Shukh v. Seagate Tech. LLC*, 2011 WL 6849053 (D. Mn. Dec. 15, 2011), the court held that the inventor was not a client, along with the assignee. The inventor then argued that there was a common interest between himself and the corporate employer, and so there was no privilege as between the two in a dispute. The court rejected the argument, though its reasoning was not entirely clear. It would seem that the lawyer's communications with the agent were privileged because the inventor was likely within the test of *Upjohn*, rather than there being need to invoke the common interest doctrine in the first place.

C. Business Entities

Outside counsel and in-house counsel may have a different preconception about who outside counsel represents: is it the corporate client, only, or is it the entire corporate entity, including parents and subsidiaries? Outside counsel will want to narrow the definition of "client" to be only the corporate entity itself, and not its parents and affiliates; the corporate client may want, or preconceive of, a broader definition of who is the "client."

Outside counsel should try to reach an agreement with the client about this issue. This is so because there is no uniform approach among the jurisdictions, and often there are different approaches reflected within the jurisdictions. Some authority holds that a lawyer always represents affiliated entities; others hold that he never does;²⁶ and, perhaps a majority, apply a vague, multi-factored balancing test.

The ABA in Formal Opinion 95-390 (1995) analyzed the distinct problem of whether a lawyer who represents a corporation represents related and affiliated corporations. In the ABA opinion a majority concluded that representation of one entity does not automatically disqualify the lawyer from being adverse to related entities. Two members of the Committee vigorously dissented, which is unusual

²⁵ On a somewhat distinct note, a lawyer whose firm is litigating a patent that has been prosecuted by one of its lawyers should consider the potential impact on its liability of asserting privilege over any communication with the inventor. If the firm takes the position that it had represented both inventor and assignee, this may result in the firm's inability to represent either or both in any dispute that arises between them concerning, or substantially related to, the prosecution of the patent.

²⁶ *E.g., Local Ad Link v. Adzzoo*, 2010 WL 4236687 (D. Nev. Oct. 14, 2010).

in an ABA opinion. They took the bright line position that this would always be a conflict that required consent. A third member also dissented.

A comment to the Washington Rules adopts the weighing test:

A lawyer who represents a corporation or other organization does not, by virtue of that representation, necessarily represent any constituent or affiliated organization, such as a parent or subsidiary. See Rule 1.13(a). Thus, the lawyer for an organization is not barred from accepting representation adverse to an affiliate in an unrelated matter, unless the circumstances are such that the affiliate should also be considered a client of the lawyer, there is an understanding between the lawyer and the organizational client that the lawyer will avoid representation adverse to the client's affiliates, or the lawyer's obligations to either the organizational client or the new client are likely to limit materially the lawyer's representation of the other client.²⁷

The Second Circuit's recent decision in *GSI Commerce Solutions, Inc. v. Babycenter, LLC*, 618 F.3d 204 (2d Cir. 2010) is noteworthy as a federal appellate decision addressing this issue, which is rare. That court rejected the "one big client" approach and instead examined the "financial interdependence" of the corporations (including "the extent to which an adverse outcome in the matter at issue would result in substantial and measurable loss to the client or its affiliate"), the entities' ownership structure, whether the affiliate relied upon the parent for accounting, auditing, cash management, employee benefits, insurance, IT, payroll, travel, and other business functions, whether they shared a common law department, and other factors.

However, they do not do so uniformly. Even so, many of them treat as important in determining whether a separate entity should nonetheless be treated as a "client" whether the same in-house lawyer may or is involved in both matters. Another factor that appears often to be given weight is whether the lawyer in representing his client may have obtained information about the other entity.²⁸

This is an issue that lawyer and client can and should agree upon. It does not take "magic language" just thoughtful language. Language such as "by representing the entity that has retained us, law firm shall be deemed to represent

²⁷ Wa. Rule 1.7, cmt. 34.

²⁸ Bill Freivogel collects these cases on his site (www.Freivogelonconflicts.com).

any entities which it owns or controls or which owns or control it” will go a long way toward reducing uncertainty concerning client identity.²⁹

D. Joint Defense Agreements

1. The Problem and Recent Cases.

Joint defense arrangements are common in civil litigation. Typically, multiple defendants whose first line of defense is “none of us did it,” may work together to produce a united front. In true joint defense arrangements, each client retains its own counsel, but counsel communicate among themselves to further the joint defense. (This should not be confused with the “shared counsel” arrangement, where several clients will retain one lawyer to represent all of them.) As a result, one lawyer will be exposed to the confidential information of another lawyer’s client, a co-defendant and member of the joint defense agreement.³⁰

Joint defense arrangements present unusual issues in disqualification proceedings.³¹ Foremost, the lawyer representing one client does not by that fact alone have an attorney-client relationship with the co-defendants. Indeed, each client has its own counsel because the interests of the group, though largely common, do differ. For example, it may be that each defendant has cross-claims against each other for contribution or indemnity.

What standards ought to apply to a lawyer who seeks to be adverse to a former co-defendant of a client? The courts apply differing standards, with some treating former co-defendants exactly like former clients.

Some courts treat the party to a joint defense arrangement exactly as they would a client moving for disqualification.³² Lawyers engaging in joint defense representations need to consider the fact that, in some jurisdictions at least, their representation of one co-defendant in a civil matter may be held by a court to constitute a representation of all of the co-defendants, resulting in firm-wide disqualification of every lawyer in the firm in matters adverse to any of those former co-defendants. In addition, because these courts treat former co-defendants precisely like former clients, the movant need not show that it actually

²⁹ Cf. *Avocent Redmond Corp. v. Rose Elec.*, 2007 U.S. Dist. Lexis 39736 (W.D. Wash. May 30, 2007) (holding that firm that agreed to represent “Avocent... and its affiliates” had an attorney-client relationship with every Avocent affiliate).

³⁰ The general ethical issue underlying joint defense arrangements arises in various contexts. Essentially, in a joint defense arrangement a lawyer in the course of representing a client is given access to the confidential information of a third party (i.e., the other co-defendants). That same general fact pattern arises in other contexts, and has led to disqualification motions brought, for example, against lawyers who while representing investment bankers performed due diligence on corporations.

³¹ For a discussion of the conflicts that can arise among joint defendants, see George L. Murphy, Jr., Audra A. Dial, & Hillary D. Rightler, *Joint Defense Groups: Are They a Double-Edged Sword Adding Complexity and Efficiency in Patent Litigation*, 1061 PLI/Pat 281 (Sept. 2011).

³² See *National Med. Enterprises v. Godbey*, 924 S.W.2d 123, 132 (Tex. 1996) (orig. proceeding).

disclosed confidential information to the lawyer, but instead merely show that the matter adverse to the former co-defendant is the same or substantially related to the former matter under the joint defense agreement.³³

Other courts, such as the Fifth Circuit, tend to view the issue more as one of contract, not ethics, while others including the Eighth Circuit view the issue as presenting a mixture of contract law and ethics.³⁴ For example, Washington federal courts require the moving party to establish not just a joint defense arrangement, but prove that confidences were actually exchanged.³⁵

Recent cases illustrate the contract-ethics hybrid is probably the emerging dominant view, but the question is unsettled in most states and in important jurisdictions such as Texas, the “ethics-only” approach remains in place.

2. What to Do?

Lawyers should be careful to use contract not just to confirm the existence of a joint defense agreement,³⁶ but to ensure that the ethics-overlay does not interrupt the expectations of the parties as to what limitations their counsel, and counsel to the other parties, are facing. In those jurisdictions that apply an ethics-only approach, a contract may provide some protection against unexpected disqualification.³⁷

A recent article suggests that a joint defense agreement among parties to a civil lawsuit address at least the following issues:

1. The agreement covers all participating attorneys, their clients and litigation support staff.

³³ *E.g., All Am. Semiconductor, Inc. v. Hynix Semiconductor, Inc.*, 2008 WL 5484552 (N.D. Cal. Dec. 18, 2008); *In re Gabapentin Pat. Litig.*, 407 F. Supp.2d 607 (D. N.J. 2005) (refusing to permit screening to avoid ethical view of conflict).

³⁴ *See, e.g., Wilson P. Abraham Constr. Corp. v. Armco Steel Corp.*, 559 F.2d 250 (5th Cir. 1977) (*per curiam*), *op. on remand*, 1979-1 Trade Cas. (CCH) ¶ 62,569 (E.D. La. March 28, 1979); *Fred Webber, Inc. v. Shell Oil Co.*, 566 F.2d 602 (8th Cir. 1977), *overruled on other grounds*, 612 F.2d 377 (8th Cir. 1980). Other courts have failed to recognize that the Fifth Circuit does not treat former co-defendants precisely as former clients. *See, e.g., All Am. Semiconductor, Inc. v. Hynix Semiconductor, Inc.*, 2008 WL 5484552 (N.D. Cal. Dec. 18, 2008). *See also Ford Motor Co. v. Edgewood Properties, Inc.*, 2011 WL 5080347 (D. N.J. Oct. 25, 2011).

³⁵ *Sharbono v. Univ. Underwriters Ins. Co.*, 2011 WL 2848801 (Wash. Ct. App. July 19, 2011); *Avocent Redmond Corp. v. Rose Elec., Inc.*, 516 F. Supp.2d 1199 (W.D. Wash. 2007).

³⁶ *See id.* (no written joint defense agreement, and court found no proof of oral agreement).

³⁷ *See* George L. Murphy, Jr., Audra A. Dial, & Hillary D. Rightler, *Joint Defense Groups: Are They a Double-Edged Sword Adding Complexity and Efficiency in Patent Litigation*, 1061 PLI/Pat 281 (Sept. 2011) (“merely disclaiming [an attorney-client relationship with other parties to the joint defense agreement] may not be enough to preclude a finding that such a relationship exists.”).

2. Members of the agreement are actual or potential defendants in litigation with common defense related interests.
3. Members have performed thorough conflict checks and that no conflict of interest exists with regards to any other member or their clients.
4. Each member has explained the agreement to his or her client and that client has agreed to be bound by its terms.
5. That, in furtherance of a common defense strategy, the members have decided to pool information and resources and that:
 - a. By entering into the agreement, members intend to permit the exchange and disclosure of defense materials while preserving and protecting the confidentiality of such materials under the attorney-client or work product doctrines;
 - b. Team members will maintain pooled information in confidence and protect such information from disclosure to third parties;
 - c. Team members will not use exchanged information except in connection with the current litigation effort; and
 - d. The agreement applies to all information, whether written, oral, electronic, or otherwise, shared in furtherance of common defense.
6. A description of the parameters by which joint-defense materials may be used by the group members and their counsel.
7. The agreement remains operative as to all information exchanged pursuant to the agreement if adversity arises between the parties, irrespective of any claim that the joint defense privilege may become inoperative by virtue of such adversity.
8. No member is required to share information in its possession, and any failure to provide information will not affect the validity of the agreement or the application of its terms.
9. The agreement does not limit a party from disclosing or using information for any purpose which (a) originated with that party; (b) was obtained or obtainable outside of the parties' joint defense relationship; or (c) are not otherwise protected under any other recognized privilege.
10. Members remain free to negotiate with adverse parties. The agreement may also provide that members who settle any part of a claim with an adverse party must disclose the fact of settlement with other members.

11. Members are prohibited from using any shared information in a manner adverse to any other team member.
12. Communications between members related to the common defense effort which occurred prior to the date of the agreement are also subject to the common interest privilege.
13. Members may withdraw from the agreement only upon written notice to all other members. In the event of withdrawal, the agreement should provide that:
 - a. All previously shared information will remain protected by the agreement;
 - b. A statement as to whether previously shared information must be returned or destroyed by either the withdrawing or remaining members.
14. The parties acknowledge that any client may become a witness and that no member will seek to disqualify any other member/former member based on their participation in the group or receipt of shared information.
15. That the agreement does not create a duty of loyalty (as opposed to a duty of confidentiality) to any other team member.
16. That (a) the parties understand and agree that the agreement does not create an actual attorney-client relationship between an attorney and client which was not already in existence at the time of execution and (b) no such relationship will be deemed to arise by implication.
17. Modifications to the agreement must be in writing and signed by all parties.
18. Members must notify the attorney supplying information in the event that any person or entity requests access to information supplied by the attorney under the agreement.
19. That nothing is intended to interfere with the lawyer's obligations to his client.
20. The agreement does not create any cost-sharing responsibility.
21. Waiver of common defense privilege cannot occur without the consent of all parties.³⁸

These provisions must be carefully thought through and drafted. A recent case illustrates what might happen if an agreement is not very clearly worded. In *In re Shared Memory Graphics, LLC*, 659 F.3d 1336 (Fed. Cir. 2011), in an

³⁸ Stephen A. Messer & Scott J. Seagle, *Combining Forces: A Primer on the Joint Defense Agreement in Civil Ligation*, 3 No. 3 Trial Advocate Q. 7, 11-12 (2011). See also *U.S. v. Stepney*, 246 F. Supp.2d 1069 (N.D. Cal. 2003) (providing model joint defense agreement provisions in criminal context, many of which transfer to civil context).

earlier suit, SMG had sued Nintendo and AMD. The two entered into a written joint defense agreement that stated in part:

Nothing contained in this Agreement has the effect of transforming outside or inside counsel for either party into counsel for the other party, or of creating any fiduciary or other express or implied duties between a party or its respective counsel and the other party or its respective counsel, other than the obligation to comply with the express terms of this Agreement, or of interfering with each lawyer's obligation to ethically and properly represent his or her own client. The parties expressly acknowledge and agree that nothing in this Agreement, nor compliance with the terms of this Agreement by either party, shall be used as a basis to seek to disqualify the respective counsel of such party in any future litigation.³⁹

At the time, attorney Cooper worked in-house for AMD. After that case ended, he departed AMD and became a partner with a law firm. That law firm then appeared as counsel for a plaintiff against Nintendo and others. Nintendo moved to disqualify because the same technology was involved in both suits.

The district court granted the motion to disqualify, reasoning that the waiver provision permitted attorneys such as Cooper to represent one party to the joint defense agreement if a dispute broke out among them, but not to represent third parties against the former co-defendant. The Federal Circuit on mandamus but in a two-to-one decision granted mandamus and ordered the disqualification be denied.

The majority believed that it was giving the waiver language its plain meaning: serving as counsel to AMD or Nintendo could not “be used as a basis to seek to disqualify the respective counsel of such party in any future litigation.” The dissent argued that what the parties meant, and what the district court had concluded, was that the contract really meant that serving as counsel to AMD or Nintendo could not be used as a basis to seek to disqualify the respective counsel of such party in any future litigation *between them*. This is a significant difference. For now, it seems that failing to include that limitation may permit a lawyer to transfer to a firm and for that firm to represent a third-party against the former co-defendant. Obviously, however, a firm doing so may subject itself to potential liability for misuse of confidential information, misuse of trade secrets, and other claims separate from disqualification as such.

E. Has the Representation Ended?

If representation of a client has ended, then the person is a “former client” and the lawyer is generally free to be adverse to the person unless the

³⁹ *Id.*

representation against the client is “substantially related” to the lawyer’s prior representation of the client.⁴⁰ Thus, to the extent that the correspondence or activities show when the representation ended, the lawyer has more freedom to be adverse to the person.

Various issues can create uncertainty as to ending dates. Movants in disqualification proceedings have successfully argued that they were “current clients” even though the firm was not representing them in a particular matter at the moment the disqualification motion was filed. The movant argues that it had an on-going relationship, and the fact that a matter was not pending at the moment the disqualification motion arrived does not control. Doubts as to whether a client is “current” or not are, seemingly, resolved against the firm.⁴¹ A recent Washington case, for example, concluded that a firm currently represented the movant because it had repeatedly represented it in the past, even though its last representation had been two years before the conflict had developed.⁴²

A recent example of this occurred in *Comstock Lake Pelham, L.C. v. Clore Family, L.L.C.*, 2007 WL 5964726 (Va. Cir. Ct. March 20, 2007). In March 2004, Client A hired the firm to do some long-term legal work, but in June 2005 told it to stand down and the firm in August 2005 sent out its last invoice to Client A. In July 2006, the firm began to represent Client B in a suit against Client A, but Client A moved to disqualify. The court granted the motion, concluding that Client A was still a current client of the firm because it had been the firm’s “burden to clarify the relationship and they failed to satisfy that burden.”⁴³

In patent practice, firms which send “clients” reminders about maintenance fees and the like may want to re-consider the practice,⁴⁴ or clearly

⁴⁰ See Wash. Rule 1.9. See, e.g., *Wink, Inc. v. Wink Threading Studio, Inc.*, 2011 WL 3206915 (E.D. Va. July 26, 2011) (stating that Rule 1.9 also contained a duty of loyalty); *Sunbeam Prods., Inc v. Hamilton Beach Brands, Inc.*, 727 F. Supp.2d 469 (E.D. Va. 2010) (applying substantial relationship in patent case); *MCA, Inc. v. D’Agostino*, 2005 WL 2010166 (W.D. Va. Aug. 22, 2005) (applying substantial relationship test in trade secrets case); *Tessier v. Plastic Surgery Specialists, Inc.*, 731 F. Supp.2d 724 (E. D. Va. 1990).

⁴¹ *Comstock Lake Pelham, L.C. v. Clore Family, L.L.C.*, 2007 WL 5964726 (Va. Cir. CT. March 20, 2007); *International Bus. Mach. Corp. v. Levin*, 579 F.2d 271, 281 (7th Cir. 1978); *G.D. Searle & Co. v. Nutrapharm, Inc.*, 1999 WL 249725 (S.D.N.Y. Apr. 28, 1999) (analyzing whether client was current or former client in trademark dispute); *Oxford Sys., Inc. v. Cellpro, Inc.*, 45 F. Supp.2d 1055 (W.D. Wash. 1999) (sending newsletters and the like can be indicia of current attorney-client relationship); *Kabi Pharmacia AB v. Alcon Surgical Inc.*, 25 USPQ2d 1030 (D. Del. 1992) (party disqualified firm as a “current client” even though it had not been given any advice for many months); *Manoir-Electroalloys Corp. v. Amalloy Corp.*, 711 F. Supp. 188, 193-94 (D.N.J. 1989) (firm disqualified four years after sending last letter to “current” client).

⁴² *Oxford Sys., Inc. v. Cellpro, Inc.*, 45 F. Supp.2d 1055 (W.D. Wash. 1999) (explaining that under Washington law a client’s subjective belief, if reasonable, can establish an attorney client relationship for purposes of disqualification).

⁴³ *Comstock Lake Pelham, L.C. v. Clore Family, L.L.C.*, 2007 WL 5964726 (Va. Cir. Ct. March 20, 2007).

⁴⁴ Firms who agree to pay maintenance fees create myriad problems for themselves, including calendaring the obligation and tracking the patentee down years later when the fee is due.

explain to the “client” that such reminders are not done as part of an on-going attorney-client relationship.⁴⁵ Likewise, firms should consider whether to require attorneys to formally terminate every relationship with the transmittal of the final fee statement.⁴⁶

Even where examining a former client relationship, care must be given to choice of law, as the federal circuits each approach the determination of a substantial relationship differently. As one state court recently explained:

The... Second Circuit has adopted a strict standard for applying the substantial relationship test, requiring the moving party to meet an extremely high burden of proof. That test requires that the issues involved in the two representations must be essentially the same—if not identical to—the issues raised in the present case. Since the 2nd Circuit test typically turns on the relationship between issues, rather than facts, a finding of substantial relationship may sometimes be made on the basis of the pleadings alone. Many courts have followed the second circuit in concluding that, before a substantial relationship is found, the former client must show the relationship between the issues in the former and present matters is patently clear.

The... Ninth Circuit adopted another approach..., saying it is not necessary to show that the former and present matters were identical or virtually identical; rather, substantiality would be found where the factual contexts of the two representations were similar or related. [This] approach focuses on the factual context, not issues. In utilizing this test, whether the substantial relationship exists should be measured with reference to the allegations in the complaint, and by the nature of the evidence that would be helpful in establishing those allegations. This approach was also adopted by the U.S. Court of Appeals for the Tenth Circuit....

The... Seventh Circuit adopted an approach somewhat similar to that of the Second Circuit... focusing on a realistic appraisal of the possibility that confidences may have been disclosed in one matter that will be harmful to the client in another. Rather than focusing on the issues involved in the two

Firms that permit lapse have been sued for damages. *E.g.*, *New Tek Mfg. Inc. v. Beehner*, 702 N.W.2d 336 (Neb. 2005) (remanding for trial on whether infringement would have occurred after lapse).

⁴⁵ *See Oregon Op. 2005-146* (2005) (reasoning that the recipients of maintenance fee reminders “in the absence of... a clear statement [that no attorney-client relationship exists] may reasonably believe that there is a continuing relationship”). The PTO in its recent notice and comment took the same position, but in an earlier decision by the board, took the opposite approach.

⁴⁶ *See Kabi Pharmacia*, 25 USPQ2d 1030 (in treating party a current client, court noted that firm could not “isolate any point in time at which [the party] became a “former client.”).

representations, as the Second Circuit does, or the similarity of facts, as the Ninth Circuit and Tenth Circuits do, the Seventh Circuit articulated a three step test. In this approach, the trial court must factually reconstruct the scope of the prior representation. If the court determines the two representations are not factually related, the inquiry will end. But, if the court finds the two representations to be substantially related factually, it must then decide whether it can reasonably be inferred that confidential information would have been given to a lawyer in those matters. Should the court decide it is unreasonable to infer that the purportedly tainted attorney would have received client confidential information, the court will normally deny the disqualification motion. But, if it comes to a different conclusion, the court must then evaluate whether the confidential information that would have been given to the attorney would be relevant to the issues raised in the litigation pending against the former client.

The... Third Circuit has adopted yet another test requiring disqualification when it appeared the subject matter of a pending suit was such that, during the course of the former representation, the lawyer “might have acquired” substantially related confidential material. The test does not require a specific deleterious effect be identified, merely the possibility of harm to the former client. It has been observed that this approach creates difficulties because it is so broad that virtually any prior representation of a current adversary could support disqualification.

The... Fifth Circuit..., adopting yet another approach, said that a substantial relationship may be found only after the moving party has delineated with specificity the subject matters, issues and causes of action common to prior and current relationships, and the court has engaged in a “painstaking analysis” of the facts and precise application of precedent. The Fifth Circuit courts have since said that the client need not disclose exactly what information was imparted to her former attorney, but must show that some substantial conversations involving the transmission of information relevant to the present litigation took place. It appears that the Eleventh Circuit, after its geographic split from the Fifth Circuit, remained faithful to the Fifth Circuit approach.⁴⁷

The court then analyzed the forum’s state ethics opinions before settling on a standard to apply.⁴⁸

⁴⁷ *Sharp v. Sharp*, 2006 WL 3088067 (Va. Cir. Ct. Oct. 26, 2006) (citations and footnote omitted).

⁴⁸ *Id.*

Washington federal district court cases do not provide that much guidance. In a patent case decided by the Western District, the court held that a substantial relationship existed because the prior work and the adverse representation involved the same patent family, and could result in adverse use of information relating to damages.⁴⁹ Similarly, in *Oxford Systems*, the law firm admitted the two matters were related.⁵⁰

III. “Adversity” and “Material Limitations” as Ethical Boundaries

Two general principles govern the obligations that outside counsel owe to current clients that the Washington Rules, the Model Rules, the PTO Code, and most state rules contain. One relates to representations which are directly adverse to a current client; the second relates to “pulling punches” -- when the lawyer’s duties to someone else interfere with its ability to represent the first.

At the outset, it is important to remember that a conflict of interest can result in many things, none of them good, some more likely than others. There are disciplinary cases against lawyers for having represented parties with conflicting interests, though they are comparatively few. Fees can be forfeited if a lawyer’s representation of a client suffered from a conflict. Malpractice, breach of duty, and fraud claims can be brought.⁵¹

Finally, and most likely of all, however, is that a firm will recognize that a conflict of interest exists before undertaking a proposed representation, and decline the proposed new matter. It is important, therefore, that lawyers know how to spot conflicts not just to avoid liability or discipline, but to also understand what other business accepting a particular matter means that the firm will give up. Clients pay the bills, but they also prevent lawyers from taking on other clients.

A. The Washington Rules and the PTO Code Provisions

Washington Rule 1.7 contains two prohibitions concerning conflicts of interest between two current clients: (a) a lawyer may not represent one client “directly adverse to another client;” and (b) he may not “represent a client if the representation of that client may be materially limited by the lawyer’s responsibilities to another client.”⁵² Under the principle of imputed

⁴⁹ *Avocent Redmond Corp. v. Rose Elec.*, 491 F. Supp.2d 1000 (W.D. Wash. 2007). *See also Amgen, Inc. v. Elanex Pharma., Inc.*, 160 F.R.D. 134 (W.D. Wash. 1994) (same patents involved).

⁵⁰ *Oxford*, 45 F. Supp.2d at 1061.

⁵¹ *See Joan Rogers, Simultaneous Representation of Clients with Adverse Interests can Lead to Bad Headaches*, 26 LMPC 481 (Aug. 4, 2010).

⁵² Washington Rule 1.7 provides in full:

- (a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:
 - (1) the representation of one client will be directly adverse to another client;
- or

disqualification, if one lawyer may not undertake a representation, no lawyer in the firm can.⁵³ Both rules permit clients to consent, under some circumstances, after full disclosure.

The PTO Code has several provisions which relate to concurrent client conflicts of interest. Section 10.62(a) of the PTO Code provides:

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

Section 10.66 of the PTO Code provides:

- (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 in 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.

"Differing interest" is defined to "include every interest that may adversely affect either the judgment or the loyalty of a practitioner to a client, whether it be a conflicting, inconsistent, diverse, or other interest."⁵⁴

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- (2) there is significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.
 - (b) Notwithstanding the existence of a concurrent conflict of interest under paragraph(a), a lawyer may represent a client if each affected client consents after consultation, and:
 - (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
 - (2) the representation is not prohibited by law;
 - (3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and
 - (4) the consent from the client is memorialized in writing.

⁵³ Wash. Rule 1.10(a).

⁵⁴ 37 C.F.R. 10.1(f).

As with the Washington and Model Rules, generally if one practitioner in a firm is disqualified, all are.⁵⁵ Also as with the Washington and Model Rules, consent may be obtained from the affected clients under some circumstances.⁵⁶

B. The Meaning of “Adversity.”

The courts have generally interpreted Model Rule 1.7(a) 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.⁵⁷ In the context of disqualification at least, the PTO Code has not been as strictly interpreted, however. Again, and under either set of rules, if one lawyer in a firm is disqualified, all are.⁵⁸

Suing a client is adverse. Likewise, defending a client against another client’s claim is adverse.⁵⁹

In addition, 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.⁶⁰ 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.⁶¹

⁵⁵ *Id.* §10.66(d) ((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.”))

⁵⁶ *Id.* § 10.66(c).

⁵⁷ *In re Dresser*, 972 F.2d at 545.

⁵⁸ Wash. Rule 1.10(a)(except when the conflict arises from a migrating lawyer, “while lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rule[] 1.7....”).

⁵⁹ *Oxford Sys., Inc. v. Cellpro Inc.*, 45 F. Supp.2d 1055 (W.D. Wash. 1999).

⁶⁰ *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).

⁶¹ *See Snapping Shoals Elec. Membership Corp. v. RLI Ins. Corp.*, 2006 WL 1877078 (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.) Directly adverse” representations can arise in a variety of ways, apart from the circumstance of taking action

On the other end of the spectrum, simply because a victory by a lawyer for a client will allow a current client to compete economically against a client does not mean the lawyer is representing an adverse interests. As a general matter, most states recognize that “adversity” cannot be stretched so far as to include mere economic competition.⁶²

There are numerous authorities for the proposition that mere economic adversity between clients does not create a conflict of interest, but find adversity under specific facts.⁶³ One District of Columbia case, *Curtis v. Radio Representatives, Inc.*,⁶⁴ provides an extended judicial discussion of this concept in an environment somewhat analogous to patent prosecution. In that case, lawyers who had represented a client in obtaining radio broadcast licenses brought a claim for fees. The client counterclaimed, alleging that the firm had represented conflicting interests by representing competitors in obtaining licenses. The court rejected the proposition that merely representing economic competitors was sufficient to constitute a conflict of interest, focusing instead on whether the lawyer was involved in representing differing interests. In the radio licensing context, it concluded that the lawyer could be representing conflicting interests if there was objectionable electrical interference between stations the firm was seeking for two clients.⁶⁵

Even if a lawyer’s representation of a client is not in any clear sense directly adverse to another client, 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.”⁶⁶ Identifying precisely when this sort of indirect adverse representation becomes an

that will result in liability against a client. For example, current clients have argued that their firms may not argue a “position” that affects their rights. See *Flying J Inc. v. TA Operating Corp.*, 2008 WL 648545 (D. Utah March 10, 2008) (denying motion to disqualify, though finding a conflict of interest, where firm could be creating arguments, facts, and positions in litigation against a non-client that “could be applied” by “third parties” to the client in litigation in which the firm would not be involved).

⁶² See generally, Charles W. Wolfram, *Competitor and Other “Finite-Pie” Conflicts*, 36 Hofstra L. Rev. 539 (2007); ABA Formal Eth. Op. 05-435 (2004) (representing insurer in one case and party suing carrier’s insured in another case involves only economic adversity).

⁶³ E.g., ABA Formal Opinion 05-435 (Dec. 8, 2004) (concluding that a lawyer who represents as a client an insurance company named party in litigation could represent another client in a suit against a defendant who is insured by a policy issued by the insurance company client); *Texarkana College Bowl, Inc. v. Phillips*, 408 S.W.2d 537, 540 (Tex. Civ. App. -- Texarkana 1966, no writ) (rejecting as evidence that corporate directors were not acting in best interest of corporation because their lawyers represented a competing bowling alley that “[l]egal counsel may, within very narrow limits, represent clients having adverse economic interests.”); *Gursky & Ederer, LLP v. GMT Corp.*, 2004 WL 2793174 (N.Y. Sup. Ct. Oct. 5, 2004) (concluding that client stated claim upon which relief could be granted where it alleged that lawyers assisted former employee of current client establish competing business).

⁶⁴ 696 F. Supp. 729 (D. D.C. 1988).

⁶⁵ 696 F. Supp. at 736.

⁶⁶ ABA/BNA *Lawyer’s Manual on Professional Conduct* 51:111 (2001).

ethical violation is “difficult.”⁶⁷ Illustrating the vague and difficult to discern nature of the boundaries of that principle, the Texas Supreme Court famously stated in a similar context:

Even if Baker & Botts is correct that resolution of the pending case will leave Cronen [a former client who was not a party to the present case] unscathed, Cronen's anxiety that his former law firm is now vigorously advancing the same allegations that have swirled around him for so long is certainly understandable. The chances of being struck by lightning are slight, but not slight enough, given the consequences, to risk standing under a tree in a thunderstorm. Cronen is not likely to be struck by lightning in the pending case, even though he is in the midst of a severe thunderstorm, but he is entitled to object to being forced by his former lawyer to stand under a tree while the storm rages on.⁶⁸

In other cases, the courts have characterized the dividing line between acceptable economic adversity of two clients and adversity by the lawyer in less colorful, but likely no less helpful, terms. For example, a Massachusetts court recently wrote:

The parties agree on little, but each concedes that none of the authorities relied upon—within Massachusetts or without—is closely on point. The real claim here is one for conflict of financial interests, or “economic adversity” conflict. As such, Micromet's motion “touches on an unsettled and vigorously debated area of professional ethics.” On one side of the spectrum we have examples of competing economic enterprises which fear unfair competition as a result of attorney conflict. On the other side of the spectrum are situations of closely held businesses or estates, where the clients have close financial or personal relationships but find themselves as direct adversaries, and counsel literally appears on both sides of an issue closely related in both time and subject matter. In *Re Carnahan*, 449 Mass. 1003, 864 N.E.2d 1183 (2007) (single attorney for potential debtor and creditor, one of whom was elderly, representing on subject matter of debt and transfer of authority); *Credit Index L.L.C. v. Riskwise Int'l L.L.C.*, 192 Misc.2d 755, 746 N.Y.S.2d 885 (N.Y.Sup.Ct.2002) (counsel had previously drafted documents for principal of plaintiff, that were now at issue in the litigation in which he sought to represent the defendant); *North Star Hotels Corp. v. Mid-City Hotel Assocs.*, 118 F.R.D. 109 (D.Minn.1987) (single attorney for two clients

⁶⁷ *Id.*

⁶⁸ *Nat'l Med. Enterp. v. Godbey*, 924 S.W.2d 123, 133 (Tex. 1996).

whose 50% shareholder was also a general partner of the defendant). Neither of these two extremes is true here.⁶⁹

The court went on to hold that there was no adversity even though the firm, if successful, apparently would have reduced the value of stock owned by one of its clients by roughly \$1 million dollars if it was successful in an arbitration against a non-client: “economic loss alone does not usually rise to the level of irreparable harm.”⁷⁰

C. The Meaning of “Material Limitations”

The notion of when a lawyer’s obligations to one client will materially limit her ability to represent another client is less well defined. The limitation must not only be “material;” it must be “significantly” likely to arise. Finally, this limitation must arise out of “the lawyer’s responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.”⁷¹

The rule thus requires visualizing first how a lawyer should represent a client without any other relationship between the lawyer. Then, assume that lawyer with two clients, or some other relationship. If there is a significant (not slight) risk that the lawyer will provide the client with materially (not slightly) less zeal and dedication than the baseline owing to the lawyer’s responsibilities to another client, then a conflict of interest exists.⁷²

The next few sections explore how courts have applied “adversity” and “material limitations” in the context of various forms of patent representations.

D. Conflicts in Patent Litigation

Obviously, appearing as counsel representing a patentee against a current client in an infringement suit is an adverse representation. Beyond that, there are two less obvious actions that have been held, under some circumstances, to constitute an adverse representation.

⁶⁹ *Micromet, Inc. v. Curis, Inc.*, 2009 WL 6067025 (Mass. Super. Ct. Oct. 26, 2009) (some citations omitted).

⁷⁰ *Id.* The case involved a preliminary injunction, not a typical motion to disqualify.

⁷¹ Wa. Rule 1.7(a)(2).

⁷² *See Berkeley Ltd. Partnership v. Arnold, White & Durkee*. 118 F. Supp. 2d 668 (D. Md. 2000) (firm breached fiduciary duty when it represented patentee-client without telling it that it represented a party who should have been sued for infringement).

1. Helping Out Behind the Scenes

Two cases are often cited for the proposition that a firm that cannot openly act adversely to a current client cannot help some other firm to do the same thing.⁷³

Fund of Funds illustrates how any assistance by a conflicted firm with counsel untainted by a conflict can be portrayed. There, Morgan Lewis represented A. With Meister as co-counsel, it then represented B in a suit against King. At the time the *King* suit was filed, Morgan Lewis knew that A intended to sue B. While doing this, Morgan Lewis repeatedly advised Meister that it could not “make the case” against B and said its lawyers would not participate in any consideration of wrong-doing by its client, B. Nonetheless, the court held that Morgan Lewis was disqualified because it had violated its duty of loyalty to B because the firm had been presented with documents which touched on B’s liability to A and had otherwise investigated and assisted in the prosecution of a claim against a current client. It held, further, that co-counsel Meister had aided and abetted in that violation, and was also disqualified.

2. Parallel Co-Pending Patent Litigation

Where a firm represents a client in litigation against another client that is *unrelated* to the firm’s representation of that other client, courts have found a conflict. A California district court in *GATX/Airlog Co. v. Evergreen Int’l Airlines, Inc.*, 8 F. Supp.2d 1182 (N.D. Cal. 1998), *dism’d and vacated as moot*, 192 F.3d 1304 (9th Cir. 1999), found adversity where the client was not named as a party and illustrates the point. In *GATX*, Mayer Brown & Platt (“Mayer Brown”) represented GATX in a dispute with another company over four airplanes which the FAA had essentially grounded as a result of revoking airworthiness certificates issued after the planes were modified by Evergreen. The Bank of New York (“BNY”) beneficially owned one of the airplanes that had been modified by Evergreen. Mayer Brown represented BNY in various unrelated matters. The court disqualified MBP from representing GATX against Evergreen. Among other things, the court emphasized that MBP advanced “assertions in pleadings and dispositive motions that could provide GATX with defenses to claims by BNY and other aircraft owners.” It held that “MBP was not allowed to assist GATX against BNY’s interests and contemplated lawsuit by asserting defenses against the owners of other airplanes, especially Evergreen, which also provide a defense against BNY; asserting defenses against BNY’s

⁷³ *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); *Fund of Funds, Ltd. v. Arthur Andersen & Co.*, 567 F.2d 225 (2d Cir. 1977) (trial counsel disqualified for receiving assistance from law firm which breached its duty of undivided loyalty).

aircraft when it was in Evergreen's possession; and seeking discovery to support GATX's defense against any aircraft owners."⁷⁴

⁷⁴ 8 F. Supp.2d at 1185. *See also McConico v. Ala.*, 919 F.2d 1543 (11th Cir. 1990) (conflict where lawyer represented defendant in murder case who claimed self-defense, and the beneficiary of the victim's life insurance policy, who would lose benefits if victim had been the aggressor).

There is, however, one similar case where a New York district court held that merely representing a party in litigation which might have an impact on another client did not provide a basis for disqualification. In *Sumitomo Corp. v. J.P. Morgan & Co.*, 2000 WL 145747 (S.D.N.Y. Feb. 8, 2000), the law firm of Paul, Weiss, Rifkind, Wharton & Garrison ("Paul Weiss") represented Sumitomo in investigating an employee who was responsible for losses from copper trading and who later confessed to unauthorized copper trading. Various claims were filed and investigations begun. Sumitomo retained Paul Weiss to defend it with respect to claims and investigations by regulators and civil claims. Paul Weiss realized that several of its clients were among Sumitomo's potential adversaries. As a result, it advised Sumitomo that it could not evaluate potential claims against those clients or otherwise represent Sumitomo in litigation against those clients

Accordingly, when a Paul Weiss client, Ocean View, sued Sumitomo and refused to waive the conflict, Paul Weiss advised Sumitomo to retain separate counsel to represent it in the *Ocean View v. Sumitomo* matter. Later, Sumitomo asked Paul Weiss to seek a waiver from Chase Manhattan Bank (which was then also a current Paul Weiss client) to permit Paul Weiss to evaluate Sumitomo's potential claims against Chase. Chase refused, and so as with Ocean View, Sumitomo hired separate counsel, who sued Chase on Sumitomo's behalf. Sumitomo then hired Paul Weiss to sue J. P. Morgan, and Paul Weiss did so. As a result, there were three separate law suits, with Paul Weiss representing Sumitomo only against J.P. Morgan, and other firms representing Sumitomo on claims involving Paul Weiss' clients.

Then, Chase moved to consolidate the J.P. Morgan and Chase cases for pretrial discovery purposes. Chase also moved to disqualify Paul Weiss even if consolidation were denied, arguing that the firm was directly adverse to Chase, which was a current client of Paul Weiss in unrelated matters. Chase acknowledged that there was no possibility of misuse of confidences – because the matters were unrelated -- but instead relied upon the duty of loyalty and the disciplinary rules which embodied that concept. The court refused to disqualify Paul Weiss. However, it did so based upon the Second Circuit's narrower standard for current client conflicts, under which disqualification is "only appropriate... where the attorney's conflict undermines a court's confidence in the vigor of the attorney's representation of his client." 2000 WL 145747, *4.

Even though it denied the motion to disqualify, the court emphasized that the representations were unrelated:

One can imagine a factual situation where the relationship between the lawyer and client is so extensive and the prejudice that would result to the client, if the position the lawyer advanced on behalf of the other client was accepted, is so great that there would be an appearance of impropriety. That is not this case.

There is no danger that Paul Weiss' participation in this case will adversely impact its representation of Chase in the other matters. *The issues involved in this action are totally unrelated to the issues in the matters in which Paul Weiss represents Chase.* While one can understand that Chase's in-house counsel might be unhappy that a law firm which represents it in some matters was taking a position in litigation involving another client that, if adopted, would prejudice an argument that Chase was advancing in a separate case, that does not

a. Adversity

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. 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?

Three 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 first case, *Enzo Biochem, Inc. v. Applera Corp.*,⁷⁵ the court found no adversity; a month later, the second court in *Rembrandt Technologies, LP v. Comcast Corp.*,⁷⁶ did. The third punted.

The cases are fact intensive. The *Rembrandt* court distinguished *Enzo* and ordered disqualification, as follows:

In *Enzo*, the Hunton firm represented a client in a patent case against one defendant. The same plaintiff, represented by the Greenberg firm, sued a different defendant. Some of the same patents were asserted in both cases. A client of the Hunton firm, GE, later acquired the defendant being sued in the second case. The Hunton lawyers representing the plaintiff in the first case aided, to a certain extent, the Greenberg lawyers representing the plaintiff in the second case. GE contended that the Hunton firm's concurrent representation of Enzo in the first case and the GE subsidiary sued by Enzo in the second case amounted to an impermissible conflict of interest. GE intervened in the first case and moved to disqualify the Hunton firm. The court evaluated the evidence and concluded that GE had not demonstrated a sufficient showing of direct adversity. The court stated that "while the construction of [the plaintiff's] patents applicable to the infringement claims brought against two separate accused infringers ... implicates pretrial *Markman* overlap, *the trials of how those constructions apply to the respective accused products or conduct are wholly separate.*" *Enzo*, 2007 WL 30338 at *7

mean the law firm is violating a confidence or engaging in unethical conduct.

2000 WL 145747 at *4 (emph. added).

⁷⁵ 468 F.Supp.2d 359 (D. Conn. 2007).

⁷⁶ 2007 WL 470631 (E.D. Tex. Feb. 8, 2007).

(emphasis added). As a result, the court refused to disqualify the Hunton firm from representing the plaintiff in the first case. The court agrees with Enzo that the mere possibility of overlapping Markman proceedings is insufficient to show direct adversity, particularly when the trials of how the constructions apply to accused products or conduct varies from defendant to defendant.

Here, in contrast to *Enzo*, F & R is not simply advocating claim construction positions that might, at some later date, adversely impact Time Warner. F & R advocates that the Comcast defendants infringe the patents because the defendants comply with industry standards. In particular, F & R advocates in this case that Comcast infringes because it adheres to the ATSC standard for United States Patent No. 5,43,627 (“the 627 patent”) and DOCSIS for United States Patent Nos. 5,852,631, 4,937,819, and 5,719,858 (“the 631, 819, and 858 patents”). The practical significance of Rembrandt’s infringement theory is to indict for patent infringement all major cable companies who follow the industry standards. A finding of infringement and an injunction issued by this court against a cable company for compliance with industry standards would have a significant practical effect on Time Warner.

There are additional distinctions between this case and the *Enzo* decision that lead the court to find the requisite direct adversity. Rembrandt filed its cases in the same district. Its case against Time Warner is pending before the same judge at roughly the same time as this case, but this case was filed first. Although it is true that the claim construction rulings in this case would not be binding on Time Warner, there is a likelihood that the positions taken by F & R in this case could, as a practical matter, prejudice Time Warner in subsequent proceedings. As a result, on these facts, this court reaches a different conclusion from the one in *Enzo*. F & R’s representation of Rembrandt in this case is directly adverse to Time Warner.

More recently, a California district court denied a motion to disqualify, but it faced a unique set of facts not likely to arise again. Nonetheless, the court’s focus on practical impact makes the case worth discussing.

In the spring of 2011, the Southern District of California joined the fray when it denied a motion to disqualify in *Multimedia Patent Trust v. Apple, Inc.*⁷⁷ In that case, the district court in earlier proceedings had already construed the asserted patents in prior case among different parties, with one construction then vacated on appeal after settlement by the parties. After those claim constructions

⁷⁷ 2011 WL 1636923, 98 U.S.P.Q.2d 1655 (S.D. Cal. Apr. 29, 2011).

and the vacation of the earlier appeal, Patentee retained Law Firm A to sue a new defendant, Defendant A for infringing the '123 Patent. At the same time, Patentee retained Law Firm B to sue another defendant, Defendant B, for infringing the '123 Patent. Defendant B was a client of Law Firm A in unrelated matters. Defendant B then intervened in the suit by Patentee against Defendant A, arguing that Patentee's suit against Defendant A was adverse to it, Client B.

Law Firm A argued that its suit naming only non-client Defendant A as defendant was not adverse to Client B even though another firm was suing Client B for infringement of the same patent in co-pending litigation. The firm court denied, without prejudice, the motion to disqualify, reasoning:

The Court is more persuaded by the reasoning of the *Enzo* court. The *Enzo* Court recognized the Hunton firm may be "making arguments on behalf of Enzo with respect to patent invalidity that are contrary to the views of Amersham, but [the] issue [was] one relating to the circumstances of Enzo's patents and independent of the specific circumstances of Amersham." *Enzo*, 468 F.Supp.2d at 367. Furthermore, "while the construction of Enzo's patents applicable to the infringement claims brought against two separate accused infringers, Amersham and Applera, implicates pretrial *Markman* overlap, the trials of how those constructions apply to the respective accused products or conduct are wholly separate." *Id.* Likewise, the accused products in this case are not the DirecTV accused products. Thus, Quinn Emanuel may not take any position in this litigation that would necessarily be adverse to DirecTV in its MPT litigation. Furthermore, the *Rembrandt* case even recognized that "the mere possibility of overlapping *Markman* proceedings is insufficient to show direct diversity, particularly when the trials of how the constructions will apply to accused products or conduct varies from defendant to defendant." *Rembrandt*, 2007 WL 470631 at *4.

As a practical matter, the claim construction in this case is unlikely to be joined with the MPT v. DirecTV case. A claim construction hearing, along with briefing schedule, has been set in MPT v. DirecTV for August 23, 2011. No claim construction hearing has been set for this case. Thus, the claim construction in *MPT v. DirecTV* will likely be completed before claim construction starts in this case. Also, the claim construction in this case and MPT v. DirecTV will both require evaluation of three patents: the '266 patent, the '878 patent, and the '377 patent. All asserted patents in this case have been construed by this Court in a previous case. Thus, the claim construction to be performed in this case and MPT v. DirecTV may be informed partially by the previous constructions the Court has also already performed in past cases.

The Court has carefully considered the parties' argument and the balance between protection of the duty of loyalty against the right to choose one's counsel. California Rule of Professional Conduct 3–310(c)(3) and ABA Model Rule of Professional Conduct 1.7 prohibit cases where there is direct adversity. The Court concludes that DirecTV has not met the heavy burden to show that Quinn Emanuel's representation of MPT in this case—where Quinn Emanuel only represents DirecTV in unrelated matters—will necessarily be adverse to DirecTV in its wholly separate case. At present, any potential direct conflict between Quinn's representation of MPT in this case and DirecTV in the separate *MPT v. DirecTV* case is speculative. Accordingly, the Court denies the motion to disqualify Quinn Emanuel without prejudice.⁷⁸

In light of these cases, a fact and legal intensive inquiry is required to determine if a firm has a conflict of interest even where it is not adverse to a current client, and even if it is not helping a firm to sue a current client, if there is “enough” practical impact to establish direct adversity. In *Enzo and Multimedia Patent Trust*, there was not enough to constitute “adversity,” but the fact that the patent covered a standard, the litigation was pending before the same judge, and the other facts tipped the scale in *Rembrandt*.

There are significant issues left unaddressed that might alter the scope of “parallel disqualification.”⁷⁹ In particular, at least one court has given *Markman* interpretations some preclusive effect.⁸⁰ Thus, it may be that patentees will be forced to assert broad interpretations in the first of a series of cases in order to avoid a collateral estoppel effect, and that may increase the likelihood of adversity with another client in parallel litigation: in the case against the non-client, the lawyer will necessarily assert a broad construction that will ensnare his client in the other case. Further, in some instances courts are giving preclusive effect to *non-parties* to *Markman* rulings, as a form of offensive collateral estoppel.⁸¹

⁷⁸ *Id.*

⁷⁹ The cases in the rest of this section were described in Kenneth R. Adamo, *Developments in Claim Construction*, 16th Annual University of Texas Advanced Patent Law Institute (Austin, TX, October 27, 2011).

⁸⁰ *E.g., Biovail Labs. Int'l SRL v. Intelgenx Corp.*, 2010 WL 5625746 (D. Del. Dec. 27, 2010) (collateral estoppel precluded patentee from asserting a definition that contradicted the definition it sought in an earlier case); *Certain Elec. Devices with Multi-Touch Enabled Touchpads and Touchscreens*, Inv. No. 337-TA-714 (USITC 2010) (no bright line rule for when prior interpretation will be binding).

⁸¹ *E.g., Flir Sys., Inc. v. Motionless Keyboard Co.*, 2011 WL 1466394 (D. Or. Apr. 18, 2011) (relying on traditional principles of offensive issue preclusion to bind non-party who had participated in the proceeding). This is particularly true where the construction was appealed to and resolved by the Federal Circuit. *Eolas Tech. Inc. v. Adobe Sys.*, Civ. A. No. 6:09-cv-00446 (E.D. Tex. Sept. 2011) (because Federal Circuit had ruled on claim interpretation, the construction was preclusive even as to non-parties because it was a question of law).

These two principles – not considered by the three decisions discussed above – could lead to different scope of “adversity” or different tests for it than those cases indicate. Further, the existence of blocking patents, potential interferences, and other matters not present in those cases could arise in other circumstances. This chapter is not yet complete.

Finally, there is a question as to whether the same analysis ought to apply where the circumstances are that the lawyer’s client will be sued later, rather than concurrently.⁸² In some circumstances, the same factors that led to a finding of adversity in *Rembrandt* might be found.

b. Even if not Adverse, Can a Lawyer Ethically Represent the Patentee Without Coordinating with Counsel in the Other Case?

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.⁸³ Put the other way, if a firm would be disqualified if it appeared in court, it cannot avoid disqualification by simply acting only out of court. In some ways, a firm that tries to help out “behind the scenes” can be portrayed in even a harsher light than a firm that appears in court, since the failure to appear can be characterized as a strategic, cynical decision designed to “hide” the conflict.

In the context here, even if a firm concluded that it was not “adverse” to its client, the defendant in the parallel suit, it could not do behind the scenes what it could not do in that lawsuit. If the lawyer participates behind the scenes too significantly, then he is acting adversely to his client, the accused infringer. If he doesn’t effectively coordinate with counsel representing the patentee in the parallel case, then he may be sued by the patentee for not zealously representing the patentee – for “pulling punches” because the lawyer was unable to coordinate adequately due to its obligation not to become adverse behind the scenes.⁸⁴ In the worst-case scenario, both parties could sue the lawyer.

E. Adversity in Opinion Practice

1. The Decisions so Far

Two decisions address whether it is a conflict for outside counsel to opine about the validity or infringement of another client’s patent. Both reached the

⁸² See *Molina v. Mallah Org., Inc.*, 804 F. Supp. 504 (S.D.N.Y. 1992).

⁸³ *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).

⁸⁴ See generally, *Wink, Inc. v. Wink Threading Studio, Inc.*, 2011 WL 3206915 (E.D. Va. July 26, 2011) (discussing equivalent of Wash. R. 1.7(a)(2)).

same result: it is unethical to do so.⁸⁵ One commentator agreed with them, suggesting that a noninfringement opinion “goes beyond representing merely ‘economically adverse’ competitors.”⁸⁶

The first, 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, 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:

⁸⁵ See *Andrew Corp. v. Beverly Mfg.*, 415 F.Supp.2d 919 (N.D. Ill. 2006); Va. Legal Eth. Op. 1774 (2003).

⁸⁶ Lisa A. Dolak, *Ethical Intellectual Property Opinions (And It’s All Legal!)*, 843 PLI/Pat 217 (2005).

(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:

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.⁸⁷

Similarly, the 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 it was not 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.⁸⁸

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.⁸⁹ 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 obtained 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 was materially limited in its ability to give an objective opinion due to its obligations to the owner of the patent. Clearly, opining about clients' patents presents risks.

2. What to Do?

Greene's Pressure Treating suggests that firms ensure that conflicts databases include patent numbers and perhaps inventors' names (to catch CIPs,

⁸⁷ LEO 1774.

⁸⁸ 2006 U.S. Dist. Lexis. at *27.

⁸⁹ *Greene's Pressure Treating & Rentals, Inc. v. Fulbright & Jaworski, L.L.P.*, 178 S.W.3d 40 (Tex. App. – Houston [1st Dist.] 2005, no pet.).

for instance) for any patent that is the subject of an opinion of counsel by a firm. While it may be appropriate to undertake litigation for infringement of a patent that a firm had previously stated was not infringed under the facts presented, the possible litigation costs that could arise, along with the competency issues that could be raised by the patentee, indicate that this should be a matter of concern for outside counsel.

Both of the other two cases take extremely broad views that, I believe, ignore the finer issues that can actual arise in opinion practice. In the abstract, writing an opinion for a client that another client's patent is invalid likely will be an adverse representation; however, the grey is not that far away. For example, suppose the lawyer is asked whether, if the '123 Patent is interpreted to cover its products, it would be invalid for lack of written description, and no reasonable lawyer would contend otherwise? Neither *Andrew* nor Virginia Opinion 1774 is the last word on this complex issue.⁹⁰

Until there is definitive authority, house counsel may want to insist that firms do not provide an opinion without warranting that the opinion is free from conflicts of interest, and that the firm has analyzed whether any current client now owns the patent at issue, and perhaps whether any current client ever owned the particular patent.

F. Adversity from Concurrent Representations in Patent Prosecution

Conflicts of interest in patent prosecution can arise because a firm prosecutes applications for different clients that are in the same, or nearly the same, area of technology. The issue is one of line drawing, risk identification, and risk management.

First the good news. A firm will not face conflicts arising out of patent prosecution if it represents only one prosecution client. That, obviously, is unrealistic.

Moving past that point, a firm could choose to represent more than one prosecution client, but not to represent any two clients in analogous art fields.⁹¹ If

⁹⁰ It may also not be the last word on patent conflicts from the Virginia Bar Association: though LEO 1774 addresses invalidity opinions, it is titled: "Firm Writing Patents for One Client and Also Writing Patents for Competitor of the First Client." But, what both clearly mean is that lawyers should be particularly careful when providing opinions to be sure that there is no conflict of interest. The liability that could result could be staggering.

⁹¹ One commentator noted that prosecuting patents in "analogous arts" can create a conflict of interest. Vapnek, *supra* at 52. He correctly noted that "drawing boundaries in accordance with the definition of analogous art may be the only way to assure that one client's patent or patent application is sufficiently remote that it could not legitimately be cited against another client's application." *Id.* Drawing the boundaries that broadly would no doubt eliminate any conflict, but it would also unduly restrict the ability of different clients to hire the same lawyer, or under some circumstances, firm, with expertise in a narrow area of technology.

a firm does so, then: it should not face informational conflicts (it is hard to imagine information of one client being material to another application in a non-analogous art field); nor should it face competing applications; nor should it even have an examiner cite one client's application or previously issued patent against another. Again, however, this is likely unrealistic for most firms. Further, it denies clients efficiency and imposes unnecessary costs on lawyers, clients, and the system.

Once a firm is past that point, where it decides that it will undertake the risk of prosecuting for multiple clients within analogous art fields, then the risk increases that a conflict of interest will arise. There are several ways this can occur. This section explores them.

1. The Conflicts Created by the Property Right

a. The Conflict Created by Priority

In the broadest sense, a practitioner who obtains a patent for one client thereby reduces to all other clients the property available to those clients. What one client patents, no other can. Thus, merely obtaining a patent for one client is in that sense adverse to every other client. Yet, the mere patenting of subject matter for one client creates no conflict of interest with all other clients, even though by definition the lawyer has helped to take property away from them. The concept of adversity plainly cannot be stretched that far.

On the other end of the spectrum, it is certain that a lawyer could not represent two clients with interfering subject matter in an interference proceeding. This is no different than representing two clients with competing claims to title to the same property, or indeed, a plaintiff and defendant to the typical lawsuit. What one wins, the other loses.

Risks can arise without actual pending claims to the same subject matter, however. Foremost, one client may contend that the practitioner's duty of loyalty to another client constituted an impermissible limitation on the practitioner's ability to represent it. In a nutshell, the client will contend that, by reason of her obligations to the other client, the practitioner "pulled her punches" in the Patent Office, and got the client less than it deserved.

This can happen directly. Pursuing narrow claims for the disfavored client, has already been the subject of a malpractice claim. In *Sentinel Prods. Corp. v. Platt*,⁹² a law firm prosecuted patents for two clients Sentinel and Knaus. The evidence showed that the firm had filed applications for Sentinel and then two weeks later filed applications for Knaus.⁹³ There was evidence that the firm changed the disclosure provided to it by Sentinel, but no evidence that changes

⁹² 64 U.S.P.Q.2d 1536 (D. Mass. 2002).

⁹³ *Id.* at 1538.

had been made to avoid Knaus's application.⁹⁴ However, the firm's attorneys testified that they thought the applications "overlapped" and lacked a "patentable difference."⁹⁵ Knaus's application was issued first, and Sentinel's claims were then rejected in light of Knaus.⁹⁶ Sentinel narrowed its claims to avoid Knaus, and eventually Sentinel was issued patents with narrower claims.⁹⁷

Not only was there evidence that the claims of one client, Sentinel, had been narrowed to avoid reading on the claims of the other client, Knaus, Sentinel's applications was rejected in light of the other client's patents, which the firm had obtained for it. Despite this evidence, the court granted the attorneys' motion for summary judgment, holding that--although "the defendants may have had a conflict of interest when they simultaneously represented Knaus and Sentinel--there was no evidence that the plaintiff had been damaged as a result of this alleged breach of fiduciary duty," and further stating that:

At best, the evidence shows that Sentinel's applications were delayed and narrowed because of Knaus's patents. What is not shown by any of the evidence offered is that if Sentinel had been represented by a different, conflict-free attorney, it would not have experienced the same delays and narrowing. That is to say, Sentinel has not offered evidence to prove that the [the lawyers] intentionally or inadvertently pulled their punches in prosecuting Sentinel's interest. Instead, it appears that any potential or actual conflict of interest was not the cause of Sentinel's difficulties. Though the Knaus patents themselves may have limited Sentinel's ability to achieve broad patents, there is no evidence offered that if Sentinel had had different representation, its patent applications would have fared any better. The client will not need to show that the patents interfered; it will contend that they *should have interfered* but the practitioner "pulled her punches" in order to obtain coverage for the favored client.⁹⁸

This illustrates that the client will not need to show that the patents interfered; it can contend that they should have interfered but the practitioner "pulled her punches" in order to obtain coverage for the favored client.

Allegations of pulling punches can also arise without claim shaving. Lawyers who represent clients in closely related fields can be accused of

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.* at 1537.

⁹⁷ *Id.* at 1538.

⁹⁸ *Id.* at 1539. *But see* *Beasley v. Avery Dennison Corp.*, 2005 WL 1719222 (W.D. Tex. 2005) (holding complaint adequately alleged causation by alleging lawyers did not competently attempt to overcome rejection of claims).

narrowing the scope of disclosure in a client's application, for example, or of not including claims for the disfavored client in order to leave the subject matter available to other clients. Similarly, a firm could be accused of drafting claims to deliberately avoid coverage of another client's products. Each of these could be viewed as "pulling punches" or of having represented clients either with adverse interests or, at least, where the interests of one client impose a material limitation on the lawyer's representation of the other.

b. The Conflict Created by the Right to Exclude

A limitation or perhaps adversity could also arise where, for example, a lawyer prosecuting an application for one client drafts claims that cover another client's products. This probably happens every day in patent practice. A firm drafting an application for one client may draft claims that cover another client's products. A court should hold that such conduct is not unethical, so long as the firm does not represent the "infringing" client concerning that subject matter. Were the law otherwise, a firm would have to engage in an infringement analysis of all of its clients' products to determine whether it could draft a patent application for a client. On the other hand, however, an adverse representation could arise where a firm that drafts a claim for one client specifically intended to cover another client's product where the firm represents that other client with respect to design of that product, for example, and uses the other client's confidential information to draft the claim.

It also may be that direct adversity can arise if a lawyer prosecuting an application for one client drafts claims to specifically cover another client's products. There appears to be different circumstances in which this can arise. For example, it may be that a lawyer drafts claims for one client that will coincidentally happen to cover products of another client, and the firm represents that client in totally unrelated matters. In my view, "adversity" cannot be stretched that far. On the other end of the spectrum, however, is a lawyer who writes claims for one client knowing that he or another lawyer in the firm is representing the "infringing client" concerning that very product. In between, there is enough doubt to exercise caution. *See generally, GD Searle & Co. v. Pennie & Edmonds, LLP*, 2004 WL 3270190 (Sup. Ct. N.Y. Jan. 14, 2004) (discussing but not deciding whether drafting claims to cover another client's product constituted a breach of duty).

2. Information as a Source of Conflict and Liability

a. Information as a Source of Conflict

Practitioners have a duty of disclosure to the Patent Office that is independent of the client's similar duty. Material information known to the practitioner must be disclosed to the Patent Office, even if the client is unaware of the information, or the client's patent may be held unenforceable.

Where a practitioner prosecutes patents in related technologies for different clients, the risk of an information-based conflict arises. The duty to keep one client's information confidential conflicts with the duty to disclose information to the Patent Office where the information is material to another client's application.

If the practitioner decides to respect the obligation of confidentiality, then the Patent Office or, more likely, an accused infringer, will contend that the firm, or a single practitioner, possessed material information belonging to one client that should have been disclosed to the Patent Office while prosecuting the other client's application. The failure to disclose the information will be argued to render the patent unenforceable, and the fact that the information was confidential to a second client will be argued to be irrelevant to the duty of disclosure. If a client's patent is held unenforceable, the client may bring a malpractice or breach of fiduciary duty claim against the practitioner.

Unlike the contours of subject matter conflicts, the scope of the informational conflict is clear: material information must be disclosed. However, the uncertainty is over which duty prevails: the duty of confidentiality, or the duty of disclosure? If an attorney withholds material information because it is confidential, the patent may be unenforceable; if he discloses the information despite its confidential nature, he may breach a duty to the other client.

b. Possession Confidential Information Material to Patentability.

What should the lawyer do? The PTO and the Federal Circuit disagree on the answer to that question – to the extent that the Federal Circuit has an answer.

i. The Federal Circuit's "Answer"

Much has been written about the Federal Circuit's decisions in *Molins PLC v. Textron, Inc.*⁹⁹ and *Akron Polymer Container Corp. v. Exxel Container, Inc.*,¹⁰⁰ where the Federal Circuit addressed whether lawyers or law firms must disclose the application of one client during prosecution of a different client's application where the failure to do so would violate the duty of candor.¹⁰¹

99. 48 F.3d 1172 (Fed. Cir. 1995).

100. 148 F.3d 1380 (Fed. Cir. 1998).

101. See, e.g., Robert B. Levy, *Ethical Considerations in Patent Prosecution*, 707 PRAC. L. INST./PAT. 57, 67–68 (2002); Samuel C. Miller III, *Practical Measures for Reducing the Risk of Conflicts of Interest in the Practice of Intellectual Property Law*, PROF. LAW., 2001, at 79, 93; Dolak, *Current Ethics Issues*, supra, at 247–48; Hricik, supra, at 340–42; William N. Hulsey III et al., *Recent Developments in Patent Law*, 4 TEX. INTELL. PROP. L.J. 99, 101–02 (1999) (“If a rule emerges from . . . [Molins], it is that an attorney has no duty to disclose cumulative references. However, this case does not resolve whether an attorney has a duty to disclose a non-cumulative application of an unrelated client.”); Alan H. MacPherson et al., *Ethics in Patent Practice (A Brief Visit to Several Areas of Concern)*, 574 PRAC. L. INST./PAT.

Although confronting that issue in both cases, the court gave no clear answer as to whether a lawyer must, cannot, or should disclose the confidential information of one client when it is material to another client's application. The only thing these opinions truly decided was that a lawyer need not disclose information if it is not material.¹⁰² *Akron Polymer* sheds only a dim light.¹⁰³

In *Molins PLC v. Textron, Inc.*, an attorney represented two clients, both of whom had applications pending before the PTO at the same time.¹⁰⁴ The district court held that the first client's patent was unenforceable because the

657, 662–64 (1999); Lisa Dolak, *Evaluating Conflicts*, *supra*, at 20; Robert C. Karhl & Anthony T. Jacono, "Rush to Riches": *The Rules of Ethics and Greed Control in the Dot.Com World*, 2 MINN. INTELL. PROP. REV. 51, 70–71 (2001) (concluding that the conflict created under circumstances similar to *Molins* is "insoluble"); Todd M. Becker, *Attorney-Client Privilege versus the PTO's Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 WASH. L. REV. 1035, 1056–57, 1062 (1996) (advocating for the duty of confidentiality to "trump" the duty of candor, lest trade secret protection be lost due to a mandatory duty of disclosure); Kellyanne Merkel, *The Competing Ethics of Patent Practitioners: Full Disclosure to the PTO vs. Client Confidentiality*, at <http://www.hoffmannbaron.com/press/patentpractitioners.cfm> (last visited Apr. 29, 2003) (concluding that the "one-sided nature of patent proceedings requires that the duties of the practitioner weigh in favor of upholding the duty of candor owed to the office when a conflict exists with the duty of client confidentiality"); Patricia N. Brantley, *Ethical Issues in Patent Prosecution and Litigation*, CA15 ALI-ABA 227, 244–45 (Nov. 9, 1995). According to Brantley:

We know that at least some of the Federal Circuit judges are sensitive to and sympathetic with the tensions which exist between []the duty to disclose and the duty to keep privileged communications confidential. Clearly, however, we do not know how such tensions will be resolved by a given Federal Circuit panel.

Id.

102. *See id.*; *see also* *Lipman v. Dickinson*, 174 F.3d 1363, 1371 (Fed. Cir. 1999) (holding that there was no conflict between this duty of confidentiality and the requirement of candor in dealing with the PTO because no client confidences were involved).

103. In *Akron Polymer*, the court held that a district court erred in failing to give sufficient weight to the fact that, while prosecuting two related applications, it disclosed that fact to one of the two examiners. It thus reversed the district court's finding of inequitable conduct, reasoning:

But for the fact that Container actually disclosed the fact of copendency of the two applications to the PTO, while still failing to disclose the Venus application to the Katz application's examiner, it could be argued that the other facts in this case are sufficient to support a threshold finding of deceitful intent by clear and convincing evidence. Our confidence in such a conclusion is undermined, however, when we afford weight to the inference running contrary to deceitful intent that must be drawn from Container's disclosure of the Katz application to the Venus application's examiner.

The clear error in this case is the absence of the requisite weight that must be given to Container's disclosure of the Katz application, and of the fact of the copendency of the two applications, to the PTO through the Venus application's examiner. This fact points away from an intent to deceive. When examining intent to deceive, a court must weigh all the evidence, including evidence of good faith. Thus, when we measure the facts of record, we conclude that a threshold level of deceitful intent has not been shown. Without a factual basis to establish a threshold level of deceitful intent, the inequitable conduct analysis is at an end, and we must conclude that the district court abused its discretion by entry of its judgment of unenforceability.

148 F.3d at 1384 (citation omitted). The court did not discuss the confidential nature of the pending applications, and so it provides very little insight into how the judges of the Federal Circuit will weigh these issues.

104. 48 F.3d 1172, 1176 (Fed. Cir. 1995).

attorney had failed to disclose a pending application of the attorney's second client, which was material to patentability of the first client's application.¹⁰⁵ As a result of the attorney's failure to disclose the confidential information of one client during prosecution of the second client's application, the court held the second client's patent was unenforceable due to the lawyer's inequitable conduct.¹⁰⁶

The narrow issue of whether an applicant is required to disclose the co-pending application of a *different* client was the focus of the court's decision. However, the only reason a lawyer might have a duty to disclose a co-pending application of another client, which otherwise by law are confidential, is if one client's application is material to patentability of another client's application. Thus, the specific facts of *Molins* apply to the generic question of whether a lawyer who knows confidential information of one client must disclose it when it is material to another client's application.¹⁰⁷ In fact, that is largely how the issue was viewed on appeal.

On appeal, a three-judge panel of the Federal Circuit split both on the result and the rationale set forth in the district court's opinion. Judge Nies in the dissent stated that she would have affirmed the district court's determination that the patent was unenforceable because the attorney's "representation of clients with conflicting interests provides no justification for deceiving the PTO. Ethics required him to withdraw."¹⁰⁸ Thus, according to Judge Nies, an attorney who knows confidential information of one client which is material to the patentability of another client's application is required to withdraw;¹⁰⁹ if he does not, and fails

105. *See id.* at 1181–82.

106. *See id.*

107. The MPEP provision at issue in *Molins* did not require disclosure of a co-pending application of a different client.

108. *Molins*, 48 F.3d at 1190.

109. Several commentators have erroneously concluded that the practitioners have a choice whether to disclose or not. *E.g.*, Becker, *supra* at 1066 (concluding that attorney who learns of a trade secret from one client that is material to another client's application must disclose it if the duty of candor trumps the duty of confidentiality); Rose & Jessup, at 43.

This is not only legally incorrect, but the concern is perhaps blown out of proportion. It is legally incorrect because the lawyer, rather than having a duty to disclose the information to the PTO, instead has a duty to withdraw. The net effect of various PTO Code provisions is that a practitioner who knows that his continued involvement in prosecution without disclosing information will result in a violation of Rule 1.56 must withdraw, but need not, and indeed cannot, disclose the information to the PTO. For example, 37 C.F.R. § 10.57(c)(2) allows, but does not require, a lawyer to reveal confidences when required by law. In some circumstances, failing to disclose information to the PTO can constitute a crime. 18 U.S.C. § 1001 provides that any person who:

in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined

Charles L. Gholz, *Criminal and Disciplinary Liability for Fraud*, 3 AIPLA Q.J. 177, 177–78 (1975). Section 10.85(a)(3) of the PTO Code prohibits him from failing to disclose information he is required by law to disclose, and section 10.23(c)(1) prohibits him from committing or causing to be committed inequitable conduct. Finally, section 10.40(b)(2)

to disclose that information, then the first client's patent will be unenforceable. Judge Nies concluded that the information was material, and thus, the district court correctly held that the patent at issue was unenforceable.¹¹⁰

However, Judge Newman, concurring in part, and Judge Lourie formed the majority on this issue. Together they reasoned:

The position in which [the attorney] placed himself was one fraught with possible conflict of interest because [the attorney's] dual representation of two clients seeking patents in closely-related technologies created a risk of sacrificing the interest of one client for that of the other and of failing to discharge his duty of candor to the PTO with respect to each client. Whether or not there was a conflict of interest, however, is not before us, and we express no opinion thereon. Nor do we express any opinion regarding the apparent conflict between an attorney's obligations to the PTO and the attorney's obligations to clients.¹¹¹

The majority reversed the district court, holding that the information was not material.¹¹² Judge Lourie concluded that the information was not material

requires withdrawal if the "continued employment will result in violation of a Disciplinary Rule."

Accordingly, Judge Nies was correct: the choice is to withdraw and not disclose *or* continue representation and disclose. Her point, correctly, was that if the lawyer continues the representation, he has *no choice* but to disclose. *See Hricik, supra* at 343 ("Judge Nies correctly concluded that an attorney who possess confidential information of one client that must be disclosed to prosecute another client's application must withdraw from representation."); *see also* RESTATEMENT (SECOND) OF AGENCY § 381 cmt. e (1957) ("If the attorney cannot perform [the attorney's] duty to the second client without disclosing such information or using it to the disadvantage of the first client, [the attorney] should decline to act.").

Thus, the assumption that other commentators have made that putting the duty of candor ahead of the duty of confidentiality will lead to mandatory disclosure of one client's trade secrets while prosecuting another client's application, is simply wrong. *E.g.*, *Rose & Jessup, supra*, at 43 (citing *Becker, supra* at 1066). The consequences of putting candor first is that an attorney faced with conflicting duties, confidentiality to one client and candor to the PTO on behalf of another, may have to withdraw and be replaced by a lawyer who does not face that conflict. A lawyer who discloses one client's trade secret to the PTO to prosecute another client's application has, contrary to their position, not complied with the rules, but instead has likely breached a fiduciary duty and committed malpractice, since the only option that satisfied both the duty of confidentiality and candor was to withdraw.

The concern that a trade secret of one client could become material to the patentability of another client's application also appears somewhat blown out of proportion. The concern that a trade secret could be material to patentability of another client's application is not beyond the pale, but the circumstances in which one client's trade secret would be material to another client's application will be few, since trade secrets are not "prior art" in most cases. *See supra*. One could imagine, however, a practitioner knowing that others in the field knew that two chemicals were synergistic, even though the prior art did not disclose that synergism, and that synergism was relevant to the claim of patentability. Thus, there is some risk that the trade secret of one client could become material to another client's application. The fact that this issue has not yet arisen in litigation suggests that it is not as great of a concern as others have made it out to be.

110. *See Molins*, 48 F.3d at 1190.

111. *Id.* at 1185.

112. *Id.*

because the undisclosed information was cumulative to information which had been brought to the examiner's attention.¹¹³ While concurring in the result, Judge Newman stated that the court should not have reached the issue of whether the information was cumulative with the patent that had been brought to the examiner's attention because there was no duty to disclose it in the first instance.¹¹⁴ Judge Newman reasoned:

The majority appears to assume that [the attorney] was required to disclose [the withheld information] to the PTO, but for the fact that this subject matter was cumulative I do not see that [the attorney] had such an obligation. Indeed, his obligation to preserve the confidentiality of his client was absolute. [The attorney] had neither the authority nor obligation to breach the confidentiality of that client's [information], on behalf of a different client.

An attorney's ethical obligations to each client are not erased when a possible conflict occurs in the PTO. That privilege is the client's not the lawyers. The PTO rules can not be interpreted to require otherwise.

Thus, although I share the conclusion that there was no breach of [the attorney's] duty to the PTO, I reach that conclusion not because of the substantive differences between the [first client's] and [second client's] subject matter, but because [the attorney] and [the second client] could not have been charged with improper behavior and the consequences thereof, simply because [the attorney] respected [the first client's] confidences.¹¹⁵

Summing up, Judge Newman emphasized that disclosure of the other client's confidences by the attorney would have been "contrary to the PTO Code of Professional Responsibility."¹¹⁶

Commentators have likewise split. In the most recent article addressing this issue, scholars concluded that "Judge Newman's concurrence is the better view" and that "preserving confidentiality must remain paramount in the practice of all areas of law, including patent prosecution."¹¹⁷ These scholars concluded that putting the duty of confidentiality ahead of the duty of candor "ensures more efficient prosecution at the PTO and increases the likelihood that issued patents

113. *Id.*

114. *Id.* at 1192.

115. *Id.* at 1192–93. Judge Lourie, the majority opinion author, also rejected, on a factual basis, the argument that the patent was unenforceable because the attorney had allegedly taken inconsistent positions before the Patent Office. *Id.* at 1185–86. The court held that there was no evidence that the attorney had represented to the Patent Office for one client that a certain reference anticipated the invention, and for the other client that it did not. *Id.* at 1186.

116. *Id.* at 1193.

117. Rose & Jessup, *supra* at 43–44; accord Becker, *supra*.

indeed meet the statutory requirements of novelty and non-obviousness, without the existence of hidden prior art or other fraud on the Patent Office.”¹¹⁸ In contrast, others previously concluded that Judge Nies was right, and Judge Newman was wrong.¹¹⁹

To put these differing views in the context of this article, under Judge Newman’s approach, a practitioner need not disclose confidential information that he acquired by reason of representing a different client to the Patent Office in order to satisfy prosecuting another client’s application. Thus, the possession of confidential information is not a limitation on the duty of advocacy before the Patent Office. A practitioner can, under this view, freely advocate for an invalid claim where the information demonstrating invalidity is confidential to another client’s application.

In contrast, Judge Nies essentially concluded that the duty of candor always trumps the duty of confidentiality, and so a lawyer may never prosecute an application by withholding material information. Under Judge Nies’ approach, a practitioner can never advocate for a claim that he knows to be unpatentable, even if the information is confidential to another client.

I still believe that Judge Nies correctly reads the rules. As noted above, the rules clearly require disclosure of information by practitioners without regard to whether it is confidential, or not.

ii. The PTO’s Tentative “Answer”

The PTO, in contrast, has at least informally taken the position that the lawyer’s only option is to “noisily withdraw” from the representations: advising the PTO that it is withdrawing and advising the Office not to rely upon the filings made by the firm.¹²⁰

The PTO’s approach attempts to strike a balance between the needs of the Office to issue valid patents, and the needs of clients for confidentiality. Whether that is the appropriate balance is an interesting issue. Arguably, the PTO’s approach harms an “innocent” client who would obtain a patent but-for the conflict created by the attorney. That point, however, underscores the need for clients to monitor against informational conflicts because it arguably could cause loss of rights to a client. (Though the causation element would be interesting to litigate!)

118. Rose & Jessup, *supra*, at 44.

119. Hricik, *supra*, at 343 (concluding Judge Nies was correct); *see also* Merkel, *supra* (concluding that “the duties of the practitioner weight in favor of upholding the duty of candor owed to the office when a conflict exists with the duty of client confidentiality”).

¹²⁰ Harry Moatz, *Some Observations on Two Topics: The Duty of Disclosure and a Practitioner’s Asserted Inventorship* (Dec. 2005).

3. Additional Possible Prosecution Conflicts

It may be that a directly adverse representation or a material limitation on a representation could arise during prosecution in other ways. It is impossible to catalog all the possibilities or to predict precisely how a court would respond to the various fact patterns, but some issues that ought to at least pause practitioners include these:

- Arguing in response to an office action for one client that a patent obtained by the firm for another client is narrower than the examiner portrays it to be, or that it lacks enablement;
- During prosecution, having the examiner cite “killer” prior art, and discovering that it is owned by another client, and will be infringed if the prosecution client practices its invention;
- During prosecution for one client, the examiner cites a reference that is material to another client’s application, meaning that you must submit it by IDS in that case, resulting in the other client receiving narrower claims;
- Antedating a patent obtained by the firm for another client;¹²¹ or
- Arguing that a patent obtained by the firm for another client lacks enablement or written description to support an interpretation proffered by the office.

Clearly, lawyers who face these circumstances ought to at least consider the possibility that they might be deemed to constitute an adverse representation, or that the lawyer will be accused of “pulling punches” for one client due to obligations owed to the other. These issues are particularly troublesome because the “conflict” may be due to a clear examiner error – the examiner incorrectly has interpreted the prior art patent to disclose ABC when it only mentions A and B, for example.

IV. Combining Prosecution and Litigation

If a firm is representing a client in litigation and also prosecuting applications for it, risks arise. A practitioner whose firm litigates patent infringement suits as well as prosecutes applications faces at least two broad categories of potential liability or allegations of unethical conduct: those which arise from having access to a third-party’s proprietary information *while* prosecuting patents for a client and those which arise from acting as a litigator in patents which the lawyer *previously* obtained for the client. The former group of

¹²¹ At least one court has concluded it is not adverse to antedate a patent owned by another firm client. *Vaxion Therapeutics, Inc. v. Foley & Lardner LLP*, 593 F. Supp.2d 1153, 1174 (S.D. Cal. 2008).

issues arise when a client retains the same lawyer or firm to concurrently serve in multiple roles; the latter when the client successively retains the same lawyer or firm in multiple roles. Obviously, infinite combinations are also possible.

A. Misusing Discovery Materials While Prosecuting Applications for Other Clients

An attorney who litigates can through the exchange of discovery gain access to an opposing party's proprietary information. Where the litigator also prosecutes patents for a client, she faces the risk that the opposing party will contend that she should not be allowed to obtain information through discovery which would permit her to misuse that information during prosecution by, for example, using that information to obtain a patent on behalf of her client. If a lawyer is prosecuting applications in a highly specialized area of technology on behalf of a client, and obtaining proprietary information from an opposing party as a result of discovery exchanges in infringement litigation, the opposing party will seek to prevent misuse of the information by seeking a protective order that prevents the lawyer from having access to that information.¹²² Entry of a protective order denying access to critical information will effectively disqualify a lawyer from representing the client in infringement litigation. On the other hand, avoiding "disqualification" by avoiding entry of such a protective order, in contrast, creates potential liability for the prosecuting-litigator, since he can be accused of using the opposing party's information during prosecution, and be sued for money damages. Further, the client of a prosecuting-litigator may be sued by the opposing party, who can argue that it has equitable ownership of patents obtained through misused information.

Thus, the issue of access to information by a prosecuting-litigator creates important issues for both courts and counsel. The courts must be careful when addressing whether and to what extent to bar prosecuting-litigators from having access to discovery materials: imposing a bar too frequently will unnecessarily drive up litigation expenses, while permitting unfettered access by prosecuting-litigators to a competitor's most current and important product development information could result in inadvertent or even intentional misuse of the information during prosecution. Similarly, counsel must be careful in seeking access where inadvertent disclosure could occur, since a prosecuting-litigator's exposure to such information could result in liability by the lawyer and his client for misappropriation of trade secrets. This Section analyzes the cases addressing this issue and provides guidance for practitioners and the courts when confronting the competing interests raised when a prosecuting attorney is also a litigator.¹²³

^{122.} *See, e.g.,* Nazomi Communications, Inc. v. United States Dist. Court for the N. Dist. of Cal., No. C 02-02521-JF, 2002 U.S. Dist. LEXIS 21400 (N.D. Cal. Oct. 11, 2002) (also seeking to prevent lawyers from negotiating licenses in the field), vacated on other grounds, 403 F.3d 1364 (Fed. Cir. 2005).

^{123.} The need to protect confidential information from disclosure to prosecuting attorneys has been addressed even where the prosecuting attorneys are in separate firms from those litigating the case. *See, e.g.,* BASF Corp. v. United States, No. 02-00260, 2004 Ct. Intl. Trade LEXIS 27

1. Is Prosecution of Patents by Itself Sufficient to Bar Access to Highly Confidential Information?

Does disclosure of information to outside counsel who prosecutes patents for the opposing party create similar concerns that would justify denial of access to sensitive information? Wiping away a split among the district courts as to whether all patent prosecution was, per se, “competitive decision making,”¹²⁴ the Federal Circuit in 2010 recognized that the fact that someone was engaged in “patent prosecution” did not, by itself, indicate whether the person was engaged in “competitive decision-making.” Only some patent prosecutors were. The court recognized that there was a spectrum of work that a particular person might be engaged in that fell under the rubric “patent prosecution.”

Abjuring labels, the court adopted what is essentially a three-step approach, though it was less than clear about the first step’s existence.

First, the court emphasized that a bar was appropriate only to the extent that the information subject to the bar was of “the kind of information that will trigger the bar...”¹²⁵ “For example, financial data and other sensitive business information... would not normally be relevant to a patent application....”¹²⁶ Obviously the party seeking the bar would bear the burden of establishing this proposition. It is addressed more fully below, because the question of what information is subject to a bar often has been litigated in connection with the scope of a bar, but it is clear from *Deutsche Bank* that a predicate for imposition of a bar is the existence of information that should be subjected to one.

A lawyer may be engaged in competitive decision-making, but the information has no bearing on what he is doing because it is unrelated to his work, for example. Whether a prosecuting litigator should be denied discovery of sensitive information depends upon the facts and circumstances of each case. Among other things, courts should inquire into whether the technology that the lawyer is prosecuting is sufficiently related to the patent-in-suit to create a reasonable likelihood that trade secrets or similar confidential business information could be misused. The ability to misuse information to shape patents is obviously more likely “where there is a relationship between the prosecution

(Court of Int’l Trade Mar. 23, 2004) (granting protective order requiring that a “Chinese Wall” be established between firm representing party in litigation and another firm which prosecuted patents for that party). Normally, the usual prohibition in a protective order limiting use of information disclosed during litigation to “the litigation” would seem to obviate the need for such steps, but in extreme cases practitioners should consider whether to include provisions which more firmly restrict use and disclosure of information.

¹²⁴ See David Hricik, *How Things Snowball: The Ethical Responsibilities and Liability Risks Arising from Representing a Single Client in Multiple Patent-Related Representations*, 18 Geo. J. Legal Ethics 421 (2005).

¹²⁵ *Id.* at 1381

¹²⁶ *Id.*

and the patents-in-suit.”¹²⁷ Thus, courts properly emphasize when imposing a bar that the lawyer is involved in prosecuting “closely related” applications.¹²⁸ Conversely, where the lawyer’s work is not very closely related, bars are inappropriate.¹²⁹ If the lawyer is not working in a very closely related field, a bar is not warranted.

In addition, the relationship between the litigants in the commercial marketplace may have an impact.¹³⁰ While courts hold that direct competition is not required, obviously misuse of confidences is less likely where there is no realistic economic incentive to do so.

If there is such information, then the burden shifts to the party seeking to avoid the bar to show that an individual should be allowed access to the information but still engage in prosecution. These two steps involve a burden shifting-approach to the question of whether an individual should be subject to a bar:

[T]he party seeking an exemption from a patent prosecution bar must show on a counsel-by-counsel basis: (1) that counsel's representation of the client in matters before the PTO does not and

¹²⁷ Northbrook Digital, LLC v. Vendio Serv., Inc., 625 F. Supp.2d 728, 759-60 (D. Minn. 2008). See Certain Personal Data and Mobile Comm. Dev. and Related Software, 2010 WL 4783415, Inv. No. 337-TA-710 (Sept. 1, 2010) (Order No. 16); Methode Elec., Inc. v. Delpi Auto. Sys. LLC, 2009 WL 3875980 (E.D. Mich. Nov. 17, 2009) (emphasizing lawyer was involved in prosecuting applications at issue in case); In re Papst Licensing, 2000 WL 554219, *3 (E.D. La. 2000) (noting that competitive decisionmaking is more likely to be found where the attorneys are advising about patent applications “related to the patents in suit”).

¹²⁸ Cheah IP LLC v. Plaxo, Inc., 2009 WL 1190331 (N.D. Cal. May 4, 2009). See, e.g., Methode Electronics, Inc. v. DPH-DAS LLC, ___ F.Supp.2d ___, 2010 WL 174554 (E.D. Mich. Jan. 19, 2010) (counsel was prosecuting a continuation application “involving the very patents, the very technology, at issue in this case.”); Methode Elec., Inc. v. Delpi Auto. Sys. LLC, 2009 WL 3875980 (E.D. Mich. Nov. 17, 2009) (same); McDavid Knee Guard, Inc. v. Nike USA, Inc., 2009 WL 1609395 (N.D. Ill. June 9, 2009) (emphasizing lawyer was “actively involved in current prosecution of reissue application” and other related patents); Commissariat A L’Energie Atomique v. Dell Computer Corp., 2004 WL 1196965 (D. Del. May 25, 2004) (taking closeness into consideration); Cummins-Allison Corp. v. Glory Ltd., No. 02 C 7008, 2003 U.S. Dist. LEXIS 23653, at *25 (N.D.Ill. Jan. 2, 2004) (emphasizing that plaintiff’s counsel was currently prosecuting patents on the exact same subject matter as the patents-in-suit); Mikohn Gaming Corp. v. Acres Gaming, Inc., 1998 U.S. Dist. LEXIS 22251, at *11, 1998 WL 1059557 (D. Nev. Apr. 15, 1998) (stating firm “is prosecuting patent applications that are not merely related to the patents in suit, they are part of the very core of this suit”); Motorola, Inc. v. Interdigital Tech. Corp., 1994 U.S. Dist. LEXIS 20714, at *14, 1994 WL 16189689 (D.Del. Dec. 19, 1994) (noting that law firm “is currently prosecuting applications relating to the very patents at issue in this litigation”).

¹²⁹ In Avocent Redmond Corp. v. Rose Elecs., Inc., 242 F.R.D. 574, 579 (W.D. Wash. 2007), bars were denied because the party moving for the protective order failed to show that the lawyers were prosecuting patent applications related to the patent-in-suit.

¹³⁰ See Markey v. Verimatrix, Inc. 2009 WL 1971605 (S.D. Cal. July 8, 2009); Microsoft Corp. v. Commonwealth Scientific & Indus. Research Org., 2009 WL 440608 (E.D. Tex. Feb. 23, 2009).

is not likely to implicate competitive decisionmaking related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation, and (2) that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use.¹³¹

With respect to the first enumerated step, the court recognized that there is a spectrum. Not all “patent prosecution” is “competitive decisionmaking.”

On one end of the spectrum are patent prosecutors who are clearly involved in what can fairly create the risk of misuse of information. “Such involvement may include obtaining disclosure materials for new inventions and inventions under development, investigating prior art relating to those inventions, making strategic decisions on the type and scope of patent protection that might be available or worth pursuing for such inventions, writing, reviewing, or approving new applications or continuations-in-part of applications to cover those inventions, or strategically amending or surrendering claim scope during prosecution.”¹³² On this end of the spectrum, “[t]he risk of inadvertent disclosure of competitive information learned during litigation is much greater.”¹³³

But on the other end of the spectrum, “[s]ome attorneys involved in patent litigation... may have patent prosecution duties that involve little more than reporting office actions or filing ancillary paper work...”¹³⁴ Similarly, “some attorneys may be involved in high-altitude oversight of patent prosecution, such as staffing projects or coordinating client meetings, but have no significant role in crafting the content of patent applications or advising clients on the direction to take their portfolios.”¹³⁵ As to attorneys whose work occupies this end of the spectrum, there “is little risk that attorneys involved solely in these kinds of prosecution activities will inadvertently rely on or be influenced by information they may learn as trial counsel during the course of litigation.”¹³⁶

In the middle, of course, lie the difficult fact patterns that might create “a close question” as to whether a prosecution bar is justified. In this middle ground, the court noted that factors include whether the person took instructions from senior attorneys, or instead acted on his own in shaping an application.¹³⁷ The court emphasized that even if the activities did not indicate a heightened risk, “the risk of inadvertent disclosure may nonetheless arise under the facts and

¹³¹ *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373 (Fed. Cir. 2010).

¹³² *In re Deutsche Bank*, 605 F.3d at 1379–80.

¹³³ *Id.* at 1380.

¹³⁴ *Id.* at 1379.

¹³⁵ *Id.* at 1379–80.

¹³⁶ *Id.* at 1380.

¹³⁷ *Id.*

circumstances of a particular case....”¹³⁸ Thus, as with many issues in the Federal Circuit, the totality of the circumstances matters.

Accordingly, in assessing whether the party moving for a protective order has established good cause, a court should consider each counsel's actual preparation and prosecution activities, and do so on a counsel-by-counsel basis. The court in *In re Deutsche Bank* did not apply this new test to the facts, as the district court had held that all patent prosecution was competitive decisionmaking, and so the court remanded for consideration and analysis.¹³⁹

The district court decisions decided after *In re Deutsche Bank* provide only a little additional guidance.¹⁴⁰ One district court held that an individual was engaged in competitive decisionmaking even though he was not directly involved in inventive or prosecution activities, because as the Executive Vice President of Intellectual Property for the party he did make “strategic decisions on the type and scope of patent protection that might be available or worth pursuing,” and was the primary architect of the company’s legal strategy for IP enforcement.¹⁴¹ On the other hand, another court held that merely establishing that the person was involved in IP licensing was insufficient where there was no proof that his involvement in licensing rose to the level of “competitive decision-making” that created the risk of misuse of information.¹⁴²

The increasing frequency at which parties are disputing the need for or scope of protective orders suggests either that lawyers are seeking to be in a position to misuse information (a dubious proposition, but a possibility) or that those seeking prosecution bars are attempting to obtain too broad of protection, in effect turning a motion for a protective order into a motion to disqualify counsel. Whichever side to a particular dispute might be over-reaching, courts need to approach prosecution bars with care, as they have grave potential for misuse and abuse. Thus, careful analysis, and not categorization, is the key. Many factors will impact whether a bar should be in place.

The starting point is why bars are needed. There are often two basic rationales: first, that patent prosecutors can misuse information to shape pending applications or, second, that they can use it to impact future product design. Some examples of the former include the prosecuting litigator who could theoretically use information disclosed during discovery to draft claims in pending or new applications to cover products that the opposing party intends to

¹³⁸ *Id.*

¹³⁹ *Id.* at 1381-82.

¹⁴⁰ Whether district court decisions decided before *In re Deutsche bank* are still good law turns on comparing each case’s approach to the language in that case—a topic beyond the scope of this chapter.

¹⁴¹ *Trading Technologies, Int’l, Inc. v. GL Consultants, Inc.*, 2011 WL 148252 (N.D. Ill. Jan. 18, 2011).

¹⁴² *Pfizer Inc. v. Apotex Inc.*, 744 F. Supp.2d 758 (N.D. Ill. 2010).

bring to market.¹⁴³ Another example would be the risk that a litigator who sees draft patent applications of the other party will, as a prosecutor, “be better able to ‘write around’ [the disclosing party’s] patents when drafting [his client’s] own patent applications.”¹⁴⁴

With respect to the first rationale, many courts’ explanations as to why litigators should be denied access to certain discovery materials might justify denying access to putative inventors — since they clearly are in position to take information disclosed by an opposing party during litigation, turn around, and then apply for a patent derived from that information. But litigators prosecuting applications cannot “invent” subject matter, and cannot—except in unusual circumstances—even be named as inventors along with their clients on patent applications that they are prosecuting. Inventors have a “spark of genius” and file for patents on their inventions. In contrast, patent attorneys prosecute patent applications. They are usually not inventors, and, as noted, they do not and generally cannot be inventors along with their clients. The risk can be real, but it must be kept in context.

With respect to the rationale that a lawyer could use information to affect product design, in general few lawyers are involved in product design, as that entails skill sets not commonly shared by lawyers. An example would be the lawyer’s use of this sort of information, not for patent prosecution, but for advising a client on formulating business decisions, product design, or financial planning.

While it is true that in some circumstances, such as in drafting freedom-to-operate opinions, a lawyer could be in a position to advise a client not to launch a particular product because the lawyer knows of the scope of a pending application, those circumstances are fact specific. Again, the risk can be real, but it must be kept in context. They also do not necessarily turn on whether the lawyer is a patent prosecutor, but on the actual work he does.

Finally, it is important to emphasize the obvious: in theory every lawyer could turn around and misuse information disclosed during discovery to aid his client in its business and other plans. That, no doubt, explains why protective orders routinely include provisions that bar signatories from using the information for any purpose other than litigation. Given that misuse by every lawyer is a possibility, unless there is something inherent in patent prosecution that makes such misuse inevitable or unavoidable, it is wrong to categorize every patent

¹⁴³ In re Papst Licensing, GmbH, Patent Litig., 2000 U.S. Dist. LEXIS 6374, at *12 (E.D. La. May 4, 2000) (“Counsel’s ability to file new claims in existing and pending patents based on the confidential information discovered during the course of this litigation poses an unacceptable opportunity for inadvertent disclosure and misuse.”).

¹⁴⁴ Medtronic, Inc. v. Guidant Corp., 2001 U.S. Dist. LEXIS 22805, at *12 (D. Minn. Dec. 19, 2001). See *Andrx Pharm., LLC v. GlaxoSmithKline, PLC*, 236 F.R.D. 583 (S.D. Fla. 2006) (relying on similar notions to preclude adding outside counsel, who prosecuted applications, to protective order).

prosecutor as being subject to a bar. For example, for practitioners only filing foreign applications here in the U.S., there may be no direct contact with the ultimate client, with only indirect communications via the foreign associate providing instructions. A lawyer who, whether by experience, education, or some other reason, is not substantively involved in prosecution may not be in a position to misuse information. Myriad factors matter. Consequently, there may be no means of acquiring information that the lawyer could misuse.

Thus, despite the twin rationales, the Federal Circuit recognized that not all patent practitioners are subject to a prosecution bar. Instead, there must be proof that a particular attorney is in fact in a position to shape claims, impact product design, or engage in other competitive decisionmaking based on receipt of the information at issue. Thus, instead of treating all “non-patent” lawyers as if they could never misuse information, and all patent lawyers as if they could, courts should focus, as the Federal Circuit suggested, on the actual realities of the practice and the case. Only by so doing can courts avoid disqualifying counsel in too broad a circumstance, thus unnecessarily driving up litigation costs and providing too much leverage to the opposing party or, too often, keeping prosecuting attorneys from gaining access to information where they can misuse it.¹⁴⁵

However, even if the person is subject to a bar because he engages in “competitive decisionmaking,” the court must balance the risk against the potential harm to the opposing party from restrictions imposed on the party's right to counsel of its choice.¹⁴⁶ In evaluating the potential harm, the court should consider such things as the extent and duration of counsel's past history in representing the client before the PTO, the extent of the client's reliance on the past representation, and the potential difficulty the client may face if forced to rely on other counsel either to represent it in the pending lawsuit or to represent it before the PTO.¹⁴⁷ Because the district court did not engage in this analysis, the *In re Deutsche Bank* case itself provides little guidance.

Perhaps surprisingly, most of the district courts that have applied *In re Deutsche Bank* have denied bars based upon the hardship to the opposing party.¹⁴⁸

¹⁴⁵ The choice of law issue discussed above is worth noting here. If a petition to disqualify were filed in the PTO seeking to bar a practitioner from prosecuting applications because of his involvement in litigation, the PTO would look to the PTO Code; in contrast, the federal courts have based their decisions not on any ethical rule, but on concerns arising from the misuse of trade secrets. In their decisions they have focused almost entirely on jurisprudence developed under FED. R. CIV. P. 26(c).

¹⁴⁶ *In re Deutsche Bank*, 605 F.3d at 1381.

¹⁴⁷ *Id.*

¹⁴⁸ See *Trading Technologies*, 2011 WL 148252 at *6-9; *Pfizer*, 744 F. Supp.2d at 766-67; *Xerox Corp. v. Google, Inc.*, 270 F.R.D. 182 (D. Del. 2010). But see *Applied Signal Tech., Inc. v. Emerging Markets Comms., Inc.*, 2011 WL 197811 (N.D. Cal. Jan. 20, 2011) (applying prosecution bar to party's expert).

This is a fact-intensive inquiry in which the courts analyze not just the risk of harm, but the nature of the information and the prejudice to the non-movant.

Balancing requires careful analysis. Obviously the cost to replace counsel, either in litigation or in prosecution, matters greatly. Courts also should consider the role the prosecuting attorney plays in the representation of his client. Some companies, for example, do much of the drafting themselves, relying on outside patent counsel less so than others. Misuse is much less likely to occur where substantive prosecution is handled in-house but counsel targeted by the protective order is outside trial counsel. Another issue is whether involvement in reexamination or reissue proceedings or licensing and related activities¹⁴⁹ should affect balancing, since it may affect the ability to misuse information to a degree.

If a bar is warranted, then the question becomes one of scope. Two somewhat related bodies of law should help inform this analysis. The first is the protections that are afforded by the ethical rules to former clients; the second, the rules' limitations on the ability of lawyers to agree to forego future representations.

The ethical rules protect former clients; it would be odd if courts gave greater protection to opposing parties in litigation than the ethical rules require that lawyers give to their former clients. Although a full explication is beyond the scope of this Chapter, generally lawyers are permitted to take representation that is adverse to a former client so long as the matter against the former client is not "substantially related" to the work the lawyer previously did for the client.¹⁵⁰ Courts in the patent context tend to take a very narrow view of what constitutes a "substantial relationship," generally permitting lawyers to take representation adverse to former clients so long as the case against the client does not involve a substantially identical patent to the one the lawyer worked on for the former client.¹⁵¹ Thus, there ought to be a presumption that a bar that covers more than prosecution of patents that are substantially identical to the patents-in-suit is overly broad.¹⁵²

¹⁴⁹ See *Xerox Corp. v. Google, Inc.*, 270 F.R.D. 182 (D. Del. 2010) ("just as in patent prosecution, the primary factor affecting the risk of inadvertent disclosure during reexamination is the extent to which counsel are involved in competitive decisionmaking with the client.") *Fairchild Semiconductor Corp. v. Third Dimension Semiconductor, Inc.*, 2009 WL 1210638 (D. Me. Apr. 30, 2009) (analyzing whether trial lawyer's activities in settling suits was sufficiently analogous to licensing activities to justify imposition of bar to access to certain information); *Affymetrix, Inc. v. Illumina, Inc.*, 2005 WL 1801683, *2 (D. Del. July 28, 2005) (same); *Intel Corp. v. Via Techs., Inc.*, 198 F.R.D. 525, 530 (N.D. Cal. 2000) (same).

¹⁵⁰ See generally, Wa. Rule 1.9.

¹⁵¹ See David Hricik, *PATENT ETHICS: LITIGATION*, 48-55 (Oxford University Press 2010) (collecting cases from the Patent Office and federal courts that apply the substantial relationship test to patent practice).

¹⁵² Cf. *Method Electronics, Inc. v. DPH-DAS LLC*, ___ F.Supp.2d ___, 2010 WL 174554 (E.D. Mich. Jan. 19, 2010) (bar only as to subject matter related to that disclosed or claimed in

The ethical rules also protect future clients by preventing lawyers from entering into agreements that unnecessarily impinge upon the right of future clients to retain a lawyer. Although these rules vary by state, many states have ethical rules that prevent lawyers from entering into any agreement that restricts the lawyer's right to practice law.¹⁵³ Generally, and pertinent here, these rules are interpreted to prohibit lawyers from agreeing to forego representing clients adverse to former clients in substantially related matters. Thus, a lawyer who agrees to a protective order that contains a prosecution bar that exceeds the scope of protection afforded to former clients would appear to implicate these rules, since it would restrict his right of practice. This again suggests that any prosecution bar should be limited in scope to prosecution and other activities that involve technology that is at least substantially related to any patent in suit. Some courts recognize this principle, and narrowly impose bars.¹⁵⁴ This is the proper approach.

These observations about the substantive scope of the bar also apply to its temporal aspects.¹⁵⁵ Courts, in the context of protecting former clients, regularly recognize that information becomes stale over time in essentially all representations, and so whether a representation adverse to a former client is "substantially related" can turn in part on whether the information the lawyer likely gained while representing the client is of any utility in the adverse matter.¹⁵⁶ In patent practice, of course, sometimes information becomes stale quite quickly, depending on the technology involved. Thus, the same body of law that influences whether a former client's information is stale ought to inform the analysis of how long a bar should last.

Only by careful analysis can courts properly protect the legitimate interests of parties seeking prosecution bars with those of the public, opposing parties, and lawyers.¹⁵⁷ Doing so prevents litigants from using protective orders to gain unfair and inappropriate litigation advantages, essentially using motions for protective orders as thinly disguised motions to disqualify counsel.

patents-in-suit); *Crystal Image Tech., Inc. v. Mitsubishi Elec. Corp.*, 2009 WL 1035017 (W.D. Pa. Apr. 17, 2009) (same).

¹⁵³ *E.g.*, Cal. R. Prof. Conduct 1-500. Other states have rules that are limited to agreements entered into in settling disputes, but may have case law that expands the prohibition to any agreement.

¹⁵⁴ *See Warner Chilcott Labs. Ireland Ltd. v. Impax Labs., Inc.*, 2009 WL 3627947 (D. N.J. Oct. 29, 2009) (rejecting broad bar); *Eli Lilly & Co. v. Actavis Elizabeth, LLC*, 2008 WL 2783345 (D. N.J. July 15, 2008) (same); *AFP Advanced Food Prods. v. Snyder's of Hanover Mfg.*, 2006 WL 47374 (E.D. Pa. Jan. 6, 2006) (rejecting bar as to prosecuting applications relating to "low protein containing products ... including ... cheese dips").

¹⁵⁵ *See generally*, *Cheah IP LLC v. Plaxo, Inc.*, 2009 WL 1190331 (N.D. Cal. May 4, 2009) (analyzing competing proposals as to length of bar).

¹⁵⁶ *See generally*, Wa. Rule 1.9, cmt. 3.

¹⁵⁷ *See Fairchild Semiconductor Corp. v. Third Dimension Semiconductor, Inc.*, 2009 WL 1210638 (D. Me. Apr. 30, 2009) (balancing various competing interests).

1. A Proposed Prosecution Bar Raises Potential Conflicts and Liability.

Where a prosecuting-litigator is faced with the choice of whether or not to access confidential material from an opposing party during litigation, the decision is one that requires consideration of the interests both of the lawyer and the client, as well as recognizing that liability can arise from the involvement of a prosecuting-litigator. For example, the lawyer's own interests could conflict with, or differ from, the client's on the question of whether to seek a narrow or broad protective order.¹⁵⁸ A lawyer may want to avoid facing liability for exposure to confidences, and so will not want to oppose entry of a protective order. Or, the lawyer may not want to accept the ban because of his obligations to, and fees received from, the representation of other prosecution clients. In addition, the client may not appreciate that, by having its prosecuting counsel litigate the case, it is risking having ownership of later-filed applications contested, and so may not want to face that risk.

Where a concurrent conflict of interest exists, then the lawyer must obtain the informed consent of the client after consultation.¹⁵⁹ In doing so, these and other issues—including risk to the client of having a constructive trust asserted over any subsequent patents prosecuted by the lawyer-prosecutor—may need to be discussed with the client. This Section next discusses the risks—to client as well as lawyer—associated with refusing to accept a prosecution bar, or of remaining a prosecuting-litigator in a case with a narrow bar in place.

The short-term benefit of avoiding the bar creates the difficulty for lawyer and client: the client is able to continue to be represented by prosecution counsel, who presumably is knowledgeable in the technology. Yet, those short-term benefits may be outweighed by long-term costs—costs which the client may not recognize and appreciate absent consultation with the lawyer. The client may not understand that even if the lawyer succeeds in obtaining entry of a protective order which does not preclude prosecution activities, doing so may place the lawyer, and perhaps his client as well, in a worse situation: the lawyer is now in a position to be accused of receiving confidential information of an opponent and turning around and using it to benefit his client. Furthermore, he must be careful during prosecution to comply with PTO Code Rule 1.56—by disclosing information subject to a protective order to the extent required by that rule but in compliance with the procedures under MPEP 724.01—and to ensure that his

¹⁵⁸. See WA. R. Rule 1.7(a). See generally Lisa Dolak, *Risky Business: The Perils of Representing Competitors*, 30 AM. INTELL. PROP. L. ASS'N. Q.J. 413 (2002) (analyzing Rule 1.7 and issues related to patent representations).

¹⁵⁹. WA. R. 1.7. See generally Dolak, *supra*, at 417-18 (describing operation of Model Rule 1.7 in patent representations). Washington Rule 1.7 will not control in most federal courts due to the choice of law issue discussed above.

client gives informed consent to his continued prosecution in light of the risks and the limitations created by access to a competitor's information.

Perhaps the central risk the prosecuting-litigator faces is that by gaining access to information, he can be accused of having used it for the benefit of this client during prosecution. His client, too, has been placed in those cross-hairs, since the opposing party can contend that the client received the patent only through the misconduct of the lawyer.¹⁶⁰ In the context of pure-prosecution practice, misuse of confidential information to obtain patents has already resulted in substantial liability. In two recent cases, for example, lawyers were sued for using one client's information to obtain patents for another client.¹⁶¹ Obviously, these cases arose in the context of firms prosecuting applications for multiple clients, and so the lawyers misused information gained through the attorney-client relationship, not through discovery disclosures. However, because protective orders limit use to the litigation, use outside that context will violate the protective order. Thus, the potential for the same sort of liability exists for prosecuting-litigators who acquire competitors' proprietary information while conducting discovery.

Prosecuting-litigators have also had sanctions imposed against them for disclosing to the PTO information produced by an opposing party during litigation that was material to a client's application. Specifically, in *Eagle Comtronics, Inc. v. Arrow Communication Labs., Inc.*,¹⁶² lawyers for the defendant obtained a patent application from the plaintiff during discovery which, they believed, disclosed an invention which was actually conceived by one of plaintiff's employees, a former employee of the defendant.¹⁶³ Even though a protective order in the case precluded using discovery materials for any purpose other than the litigation, the lawyers essentially copied that application and submitted it twice to the PTO: once as an application listing only the defendant's employee as the inventor, and again as an application listing both the defendant's employee and the plaintiff's employees as co-inventors.¹⁶⁴

On appeal, the Federal Circuit found that the district court had abused its discretion in finding the lawyer's conduct "not egregious enough to warrant an

^{160.} See also *Kaempe v. Myers*, 367 F.3d 958 (D.C. Cir. 2004) (affirming dismissal of malpractice claim against law firm based on conversion of patent rights); *Am. Stock Exchange, LLC v. Mopex, Inc.*, 230 F. Supp. 2d 333 (S.D.N.Y. 2002) (analyzing claim for constructive trust over patents based on misuse of trade secrets); *Bausch & Lomb Inc. v. Alcon Labs., Inc.*, 64 F. Supp. 2d 233 (W.D.N.Y. 1999) (same).

^{161.} Professor Lisa Dolak reports recent cases where one client claimed that lawyers used proprietary information to obtain patents for another client. Dolak, *Conflicts of Interest*, *supra*, at 468-71.

^{162.} 305 F.3d 1303 (Fed. Cir. 2002).

^{163.} *Id.* at 1311-12.

^{164.} *Id.* at 1311-12.

order to show cause” and so reversed the district court’s denial of sanctions.¹⁶⁵ In doing so, the court stated:

The conduct in this case was indeed egregious and amounted to much more than Eagle providing the PTO with material that it already possessed. . . . Patent applications are preserved in secrecy by both law and regulation for a reason. The integrity of the patent system is maintained in part by inventors’ understanding that their patent applications will remain secret until either the patents issue or the applications are otherwise published by the PTO. Breaches of this secrecy undermine the integrity of the patent system.¹⁶⁶

Thus, a lawyer who obtains information during discovery that may be important to his client’s prosecution activities may not use that information for purposes other than the litigation (if the protective order so provides).¹⁶⁷ Ignoring that obligation can—and in light of the Federal Circuit’s finding of an abuse of discretion in *Eagle Comtronics*, often will—result in sanctions.

Another consequence of being exposed to information from an opposing party during litigation is the potential for inequitable conduct. It is clear that a lawyer who, as a result of entry of a protective order in a case, does not learn of material information cannot be held to have committed inequitable conduct by failing later to disclose that information to the PTO.¹⁶⁸ Suppose, however, that a prosecuting-litigator learns information through discovery from an opposing party that is material to patentability of an application he is prosecuting for a client.

Inequitable conduct has been found where parties fail to advise the PTO of information gleaned during discovery. *Eagle Comtronics* shows that protective orders which restrict use to “this litigation” do not contemplate disclosure to the PTO.¹⁶⁹

That raises a critical issue, and one which the PTO has only recently addressed through internal regulations. Given that a practitioner who receives information subject to a protective order may not disclose it to the PTO without

^{165.} *Id.* at 1314-15.

^{166.} *Id.* at 1314 (citations omitted).

^{167.} *See also* *Damper Design, Inc. v. Cleveland Elec. Illuminating Co.*, No. 94-1223, 1995 WL 71339 (Fed. Cir. Feb. 21, 1995) (reversing trial court’s decision that prosecuting-litigator had violated protective order by amending certain words in patent application after seeing those words in discovery responses of opponent because lawyer had previously used those same words).

^{168.} *Arthrocare Corp. v. Smith & Nephew, Inc.*, 310 F. Supp. 2d 638, 676-77 (D. Del. 2004) (holding that a protective order entered in a prior case had shielded persons involved in prosecuting an application from learning of certain information, and so there was no inequitable conduct in their failure not to disclose that information) *vacated in part on other grounds*, 406 F.3d 1365 (Fed. Cir. 2005).

^{169.} *Eagle Comtronics, Inc. v. Arrow Communication Labs., Inc.*, 305 F.3d 1303 (Fed. Cir. 2002).

violating the protective order, does the presence of the protective order provide justification for the lawyer not to disclose the information to the PTO? If not, then may a lawyer withdraw from prosecution without disclosing the information?

The absence of well-developed authority on that issue provides another reason for prosecuting-litigators to avoid exposure to discovery materials. It was only in May 2004 that the PTO adopted revisions to the MPEP to provide a limited procedural path through this dilemma. Specifically, the MPEP permits practitioners under certain circumstances to disclose information subject to a protective order to the PTO under seal.¹⁷⁰ The provision was added in light of the recognition that “[s]ituations arise in which it becomes necessary, or desirable, for parties to proceedings in the Patent and Trademark Office relating to pending patent applications or reexamination proceedings to submit to the Office trade secret, proprietary, and/or protective order materials.”¹⁷¹ However, the MPEP gives practitioners authority to submit materials under seal only in limited circumstances, and specifically exclude doing so with respect to information “submitted in amendments, arguments in favor of patentability, or affidavits under 37 C.F.R. 1.131 or 1.132.”¹⁷²

Despite its limitations, this new PTO procedure provides a key, if partial, means to reduce controversies to prosecuting-litigators: they should ensure that any protective order applicable to them provide that information may be disclosed to the PTO when it may be done so in accordance with MPEP Section 724.01. Including such a provision is important because protective orders which limit use of information “to this litigation” do not contemplate disclosure to the PTO.¹⁷³ Thus, even if the procedure under the MPEP is available, a lawyer who is subject to a protective order precluding any use other than for “this litigation” will not be able to take advantage of the new procedure.

2. Issues to Consider in Reviewing Protective Orders

Including such a provision is merely one aspect of a properly executed protective order where a prosecuting-litigator is involved. The scope of any protective order is subject to intense negotiation and, at times, substantial motion practice. The parties, when drafting a protective order, and the courts, when deciding whether and to what extent to include a bar on access, should address the following issues and should do so in light of Federal Circuit law.¹⁷⁴

¹⁷⁰. MANUAL OF PATENT EXAMINATION PROCEDURE § 724.01 (2003) [hereinafter MPEP].

¹⁷¹. MPEP § 724.01.

¹⁷². MPEP § 724.02. *See generally* USPTO OG Notice (May 18, 2004) (discussing operation of Section 724.02).

¹⁷³. *Eagle Comtronics, Inc. v. Arrow Communication Labs., Inc.*, 305 F.3d 1303 (Fed. Cir. 2002).

¹⁷⁴. Federal Circuit law should apply to the question of whether a lawyer should be denied access to discovery because of his representations of a client in patent prosecution. By definition, that turns on issues unique to patent law.

It should be noted that there are also efforts to impose “licensing” bars in protective orders, whereby recipients of an opposing party’s information are precluded from engaging in

A threshold matter is whether the information truly is worth special, heightened protection. For example, if the information relates to products which could be reverse-engineered, this would suggest that a prosecution bar is more likely to be inappropriate.¹⁷⁵ Similarly, if the information is stale or quickly will become so, then a bar is less likely to be warranted.¹⁷⁶ A careful examination of the market, the parties, and the technology is required.

Another key issue is the length of time that the litigator must refrain from prosecuting applications. Courts generally apply a one- or two-year bar. However, in several cases the bar ran, not from the date of disclosure of the information or from any judgment, but from the exhaustion of any appeals.¹⁷⁷ Because of the one-year bar in the Patent Act,¹⁷⁸ the disclosing party should have to bear a substantial burden to impose a bar of longer than one year from the date of disclosure of the information.

The third issue is the breadth of the bar. There are several facets to how broad a bar parties should negotiate or a court should impose. First, the court and parties must consider whether it can and should cover merely inventions in exactly same subject matter, for example, or any prosecution for the client.¹⁷⁹

licensing negotiations. *E.g.*, *Nazomi Communications, Inc. v. Arm Holdings PLC*, No. C 02-02521-JF, 2002 U.S. Dist. LEXIS 21400, at * 10 (N.D. Cal. Oct. 11, 2002) (“As with patent prosecution, attorneys who both litigate and negotiate licenses for a client may be considered decision makers”); *see also Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525, 530 (N.D. Cal. 2000) (in-house counsel who were involved in licensing negotiations was a “competitive decision maker”); *Iams Co. v. Kaln Kan Foods*, No. C-3-97-449, 1998 U.S. Dist. LEXIS 19205, at *8-9 (S.D. Ohio Feb. 27, 1998) (addressing access by expert witness who was involved in product development); Louis S. Sorell, *In-House Access to Confidential Information Produced During Discovery in Intellectual Property Litigation*, 27 J. MARSHALL L. REV. 657 (1994).

¹⁷⁵. *Davis v. AT&T Corp.*, No. 98-CV-0189S(H), 1998 WL 912012 (W.D.N.Y. Dec. 23, 1998).

¹⁷⁶. The court in *Papst Licensing, GmbH, Patent Litig.*, 2000 U.S. Dist. LEXIS 6374, at *14 (E.D. La. May 4, 2000) held that the only information which could be kept from the prosecuting-litigator was “information that embodies a product design.” In some circumstances, for example where the litigator is tasked by the client in drafting claims to cover competitor’s products, the scope of protection recognized by the *Papst* court may be too narrow. The Federal Circuit has held that there is nothing *per se* improper about drafting claims of a pending application to cover a competitor’s product, *see Dolak, supra*, at 753, n.82, but using non-public information obtained through discovery to do so presents a different matter.

¹⁷⁷. *Interactive Coupon Marketing Group, Inc. v. H.O.T.! Coupons, LLC*, No. 98 C 7408, 1999 WL 618969, at * 4 (N.D. Ill. Aug. 9, 1999) (“one year after the conclusion of this litigation, including appeals”); *Commissariat a L’Energie Atomique v. Dell Computer Corp.*, No. 03-484-KAJ, 2004 U.S. Dist. LEXIS 12782, at *6 (D. Del. May 25, 2004) (one year bar, including appeals).

¹⁷⁸. *See, e.g.*, 35 U.S.C. § 102(b) (2005) (condition issuance of patent on application being filed within one year after claimed invention is first sold or offered for sale in the United States).

¹⁷⁹. This issue was central to *Commissariat a L’Energie Atomique*. There, the court rejected a narrow bar:

I will not pick and choose which categories of LC technology are fair game for CEA’s patent prosecution attorneys and which are not. If CEA’s patent prosecution

Any effort by the party seeking the bar to obtain a bar broader than the same subject matter of the information should be viewed strictly. Another facet of appropriate breadth is whether the bar should cover only U.S. cases, or also preclude prosecution of foreign filings.¹⁸⁰

A fourth and related issue is whether the bar applies only to the client that the lawyer is representing in the case, or whether it should prohibit a lawyer who is representing any client within the scope of the technological definition from prosecuting applications.¹⁸¹ If the practitioner is representing multiple clients in the same narrow field of technology, then a broad bar may seem appropriate. However, the obvious consequence of a broad bar is severe economic impact on the practitioner. Clearly, a court should weigh these competing concerns in determining whether the bar should preclude prosecution for any client other than the one which the lawyer is representing in the litigation.

Another aspect of the protective order is the definition of what constitutes “prosecution.” Incorporating into the protective order definitions of which activities are prohibited, and which are not, is crucial. For example, some courts hold that the bar only applies to lawyers who “actually draft patent applications, claim language for patent applications or arguments made in support of patent applications related to” the disclosed materials.¹⁸² This definition can be critical. For example, in *Chan v. Intuit, Inc.*,¹⁸³ the party seeking to bar the opposing party from access to information defined “patent prosecution” as follows:

“Patenting” shall mean and include:

- (i) preparing and/or prosecuting any patent application (or portion thereof), whether design or utility, and either in the United States or abroad . . . ;

attorneys have access to the Defendant’s highly confidential information, they will be barred from prosecuting patents ‘relating to the broad subject matter of the patents in suit,’ that is, LCD technology

Commissariat a L’Energie Atomique, 2004 U.S. Dist. LEXIS 12782, at *6.

¹⁸⁰ *Medtronic, Inc. v. Guidant Corp.*, 2001 U.S. Dist. LEXIS 22805, at *11 (D. Minn. Dec. 19, 2001) (seeking bar as to domestic and foreign filings).

¹⁸¹ *See Nazomi Communications, Inc. v. Arm Holdings PLC*, 2002 U.S. Dist. LEXIS 21400, at *6 (N.D. Cal. Oct. 11, 2002) (patentee argued that bar should be as to all clients that lawyer is representing in the technology area); *Motorola, Inc. v. Interdigital Tech. Corp.*, No. 93-488-LON, 1994 U.S. Dist. LEXIS 20714, at *18 (D. Del. Dec. 19, 1994) (court precluded prosecution only of the client involved in the litigation, ITC, not any other clients). Interestingly, the *Motorola* court presumed that the ethical duty to its client, ITC would prevent the firm “from prosecuting patent applications for other clients that are of similar subject matter as ITC’s patents in this case.” *Id.* at *18 n. 5.

¹⁸² *Medtronic, Inc. v. Guidant Corp.*, 2001 U.S. Dist. LEXIS 22805, at *15 (D. Minn. Dec. 19, 2001).

¹⁸³ 218 F.R.D. 659 (N.D. Cal. 2003).

- (ii) preparing patent claim(s) relating to any of the fields listed above;
- (iii) providing advice, counsel or suggestion regarding, or in any other way influencing, claim scope and/or language, embodiment(s) for claim coverage, claim(s) for prosecution, or products or processes for coverage by claim(s) relating to the field(s) listed ... above; and
- (iv) assisting, supervising, and/or providing counsel to anyone in connection with doing any of the foregoing.¹⁸⁴

The district court rejected only one part of this definition, holding Paragraph 4(a)(iv) was “too broad and overly restrictive.”¹⁸⁵ Inclusion in a protective order of too broad a definition unnecessarily and perhaps unfairly restricts the prosecution activities of the prosecuting-litigator, and with little actual, commensurate benefit to the opposing party.¹⁸⁶ An important issue to consider is whether the definition should include re-examination proceedings.¹⁸⁷

Finally, as noted above, the prosecuting-litigator should determine whether the protective order should make exception for disclosures appropriate under the new PTO procedure in MPEP Section 724.01.¹⁸⁸ By including such a provision, the prosecuting-litigator can ensure that the protective order permits disclosure to the PTO of material information in a manner that preserves the confidentiality of the information.

The terms of the protective order on each of these issues can dramatically affect not just the client but the lawyer as well. For example, many patent practitioners develop expertise in narrow technologies,¹⁸⁹ and so a ban as to all clients in a “field” or “subject matter”—if broadly defined—could cost the lawyer significant revenue. Likewise, a client who relies on such a practitioner for

¹⁸⁴ *Id.* at 662.

¹⁸⁵ *Id.* at 662; *see also* *Promega Corp. v. Applera Corp.*, No. 01-C-244-C, 2002 WL 32359938 (W. D. Wis. June 7, 2002) (analyzing scope of protective order as applied to person who sat on board of several companies).

¹⁸⁶ *See also Andrx Pharm., LLC v. Glaxosmithkline, PLC*, 236 F.R.D. 583 (S.D. Fla. 2006) (scope of claims constituted “competitive decision-making”).

¹⁸⁷ *See Microunity Sys., Eng’r., Inc. v. Dell, Inc.*, 2005 WL 2299440 (E.D. Tex. July 18, 2005) (party moved for clarification that protective order precluded participation in reexamination proceedings, but denying that scope of protection)

¹⁸⁸ The public policy in ensuring that material information be disclosed to the PTO should, if it can be done in compliance with Section 724.01, outweigh any need to avoid disclosing information to the PTO. *Cf. Beckman Indus., Inc. v. Int’l Ins. Co.*, 966 F.2d 470, 475 (9th Cir. 1992) (analyzing modification of protective order to permit disclosure of information in other court proceedings).

¹⁸⁹ The lawyer in *In re Sibia*, for example, prosecuted applications for fifty clients in the same general field.

prosecution and loses the lawyer's service because of entry of a protective order will face substantial costs in educating another lawyer on the technology and applications.¹⁹⁰

Whether reexamination proceedings, interference proceedings, licensing, and other forms of representation such as handling matters related to ANDAs before the FDA should be included may also be important considerations.¹⁹¹ Should a litigator's participation in a reexamination proceeding of the patent-in-suit, or related applications, be deemed to constitute "competitive decisionmaking"?¹⁹² Even those district courts that prior to *In re Deutsche Bank* seemed to equate patent prosecution with competitive decisionmaking nonetheless did not automatically include participation in reexamination in the same category. One court explained why, in this context, reexamination was different from patent prosecution:

Claims can only be narrowed during reexamination; they cannot be broadened. This is very different from patent prosecution where claim scope is being initially determined. Thus, the risk of harm to Apple is already greatly limited. Apple contends that it is possible that Mirror Worlds could narrow claims in a manner that captures Apple's products rather than in a way that would exclude Apple's products. While this may be true, it would be very short sighted for a patentee to intentionally limit claim scope to specifically capture one defendant's products at the expense of excluding other would-be infringers' products. Additionally, purposefully doing so would violate the terms of the protective order.¹⁹³

However, there is a split, and the question of whether reexamination, reissue, and other proceedings could or should be covered obviously turns on the facts.¹⁹⁴

Finally, lawyers should consider whether the opposing party's experts are in a position to be subject to a prosecution bar. If an expert is engaged in

¹⁹⁰ For this reason, protective orders should allow barred counsel time to educate replacement prosecution counsel. It may be useful, for example, for a litigator to delay having access to the highly confidential information in order to use that time to educate counsel who will take over responsibility for prosecuting the applications.

¹⁹¹ See *Warner Chilcott Labs. Ireland Ltd. v. Impax Labs., Inc.*, 2009 WL 3627947 (D. N.J. Oct. 29, 2009) (analyzing re-examination and FDA bar).

¹⁹² See *Avocent Redmond Corp. v. U.S.*, 85 Fed. Cl. 640 (Ct. Cl. 2009) (participation in reexamination by itself failed to establish lawyers were involved in "competitive decisionmaking").

¹⁹³ *Mirror Worlds, LLC v. Apple, Inc.*, 2009 WL 2461808 (E.D. Tex. Aug. 11, 2009). See *Document Generation Corp. v. Allscripts LLC*, 2009 WL 1766096, *2 (E.D. Tex. June 23, 2009) (similar analysis).

¹⁹⁴ See *Xerox Corp.*, 270 F.R.D. at 184 (applying *Deutsche Bank* to reexamination); *Crystal Image Tech., Inc. v. Mitsubishi Elec. Corp.*, 2009 WL 1035017 (W.D. Pa. Apr. 17, 2009) (collecting cases that bar access to lawyers who are involved in reexamination proceedings).

competitive decisionmaking, the *Deutsche Bank* analysis may warrant a bar or denial of access to information.¹⁹⁵

These risks arise from concurrently prosecuting and litigating patents for a client. Engaging in these representations successively also creates its own risks, as the next Section shows.

B. Liability and Disqualification of Prosecuting-Litigators

There is no general requirement that the practitioner who prosecuted a patent be a witness in an infringement suit involving that patent. However, where an accused infringer makes a charge of inequitable conduct, and perhaps in other circumstances,¹⁹⁶ it may be necessary for the attorney to testify. An allegation of inequitable conduct by itself creates potential conflicts between the prosecuting-litigator and the client, and also means that the lawyer will likely be deposed, and could be called on to testify at trial. This Section analyzes these issues, which arise from using the same lawyer successively, first as a prosecuting attorney, and then as a litigator.

1. Inequitable Conduct as a Conflict

Where a lawyer is litigating a patent that he or his firm obtained for the client (or its assignee) and the accused infringer makes an allegation of inequitable conduct arising out of the attorney's conduct, potential conflicts between lawyer and client arise. Inequitable conduct is an affirmative defense to patent infringement that requires proof that a person substantively involved in prosecuting the patent intentionally misrepresented or failed to disclose material information to the PTO and did so with an intent to deceive.¹⁹⁷ If inequitable conduct is found, then the patent (and perhaps even related ones) may be held by the court to be unenforceable, even though valid.¹⁹⁸ In addition, the patent owner may be required to pay the attorneys' fees of the accused infringer.¹⁹⁹

An allegation of inequitable conduct based on the prosecuting attorney's misconduct is likely to create a significant risk that the lawyer's representation of

¹⁹⁵ See *Applied Signal*, 2011 WL 197811 at *4 (first opinion post-*Deutsche Bank* to apply it to expert witnesses).

¹⁹⁶ The admissibility of prosecuting counsel's testimony has become limited in recent years. For example, because the Federal Circuit has limited the use of so-called "extrinsic evidence" to determine claim meaning, for example, it has become less likely that the testimony of a prosecuting attorney will be truly pertinent to many patent cases. See *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576, 1585 (Fed. Cir. 1996). See generally Ruoyu Roy Wang, *Texas Digital Systems v. Telegenix, Inc.: Toward a More Formalistic Patent Claim Construction Model*, 19 BERKELEY TECH. L.J. 153 (2004) (describing increasing use of "objective" evidence to interpret claims, not subjective testimony).

¹⁹⁷ See *TheraSense*.

¹⁹⁸ *Consol. Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990).

¹⁹⁹ *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1386 (Fed. Cir. 2001).

the client will be materially limited by the lawyer's personal interests²⁰⁰ because if the patent is unenforceable due to the attorney's misconduct, the client will have a claim against the lawyer for the harm caused.²⁰¹ Normally, of course, these allegations arise during litigation where trial counsel did not prosecute the patent, and so trial counsel can provide conflict-free advice to the client as to the strengths of the defense, the risks of continuing to assert the patent, and whether a malpractice claim against prosecution counsel is appropriate. However, a prosecuting-litigator faced with an allegation that a patent she prosecuted is likely not in position to provide the same candid and detached advice. For example, the client may be best served by settling the case at a steep discount, or dismissing it altogether, but the lawyer – because her conduct may be the cause of the reduction in value of the case – may be unable to dispassionately give the client that advice because doing so highlights the fact that it her own prior conduct that harmed the client's case. The prosecuting-litigator's personal interest in denying or downplaying the allegations may constitute a material limitation on her ability to provide competent legal advice to her client.

For these reasons, the presence of a prosecuting-litigator in cases with alleged inequitable conduct creates the risk of conflicts between counsel and client. A prosecuting-litigator faced with a substantial allegation of inequitable conduct arising out of her own actions should, therefore, determine whether he may nonetheless competently and diligently represent the client in the lawsuit and, if so, obtain the client's informed consent to do so.²⁰²

2. Depositions of Prosecuting-Litigators

Depositions of opposing trial counsel are “disfavored”²⁰³ because “even a deposition of counsel limited to relevant and nonprivileged information risks disrupting the attorney-client relationship and the impending litigation.”²⁰⁴ For this reason, the party seeking to depose opposing counsel usually must meet a substantial burden, which varies among the courts.²⁰⁵ However, litigating patents

200. See WA. R. 1.7(a)(2).

201. Clients whose patents have been held unenforceable have sued their lawyers for breach of fiduciary duty and malpractice. For example, in *Lex Tex Ltd. v. Skillman*, 579 A.2d 244 (D.C. 1990), the patents were held unenforceable by the Federal Circuit resulting in the reversal of a \$9 million judgment in favor of the patentee. Lex Tex, the patentee, then sued the lawyers for having failed to disclose the pertinent prior art to the PTO twenty years before.

202. See WA. R. 1.7(b)(1), (4).

203. *United States v. Yonkers Bd. of Educ.*, 946 F.2d 180, 185 (2d Cir. 1991).

204. *Alcon Labs., Inc. v. Pharmacia Corp.*, 225 F. Supp. 2d 340, 344 (S.D.N.Y. 2002) (quoting *Madanes v. Madanes*, 199 F.R.D. 135, 151 (S.D.N.Y. 2001)).

205. *Compare Shelton v. Am. Motors Corp.*, 805 F.2d 1323 (8th Cir. 1986) (“[N]o other means exist to obtain the information than to depose opposing counsel.”), with *In re Subpoena Issued to Dennis Friedman*, 350 F.3d 65, 67 (2d Cir. 2003) (rejecting the *Shelton* standard but requiring special showing). The issue was discussed in *Simmons Foods, Inc. v. Willis*, 191 F.R.D. 625, 630-31 (D. Kan. 2000), where the court noted that the courts have generally agreed that *some* greater showing is necessary to depose opposing counsel, but disagreed on how much. See *id.*; *Probert v. The Clorox Co.*, 258 F.R.D. 491 (D. Utah 2009) (discussing split on scope of privilege in prosecution).

which the lawyer prosecuted increases the likelihood of a deposition being permitted, and thus enhances the risk of disruption caused by deposition of trial counsel.

Normally, attorneys who prosecute patents-in-suit are subject to deposition.²⁰⁶ Although at times courts have denied the depositions of prosecuting attorneys who have been later named as trial counsel, normally they are subject to deposition even if they are trial counsel.²⁰⁷ In addition, where trial counsel prosecuted the patent-in-suit and inequitable conduct is pled,²⁰⁸ courts have almost without exception held that the prosecuting attorney must be made available for deposition—even though he is also trial counsel.²⁰⁹

The courts recognize that this makes litigation more difficult. However, they have largely not been forgiving of a client who chooses to have the prosecuting attorney represent the client in litigation. “The retention of the same counsel to serve as both a prosecuting attorney for its patent and trial counsel in an action involving the validity of that patent presents a Hobson’s choice to any

²⁰⁶. “It is quite common for the attorney who prosecuted the patent application to be deposed....” Jack L. Slobodin, *Overview of the Patent Infringement Lawsuit—From Appearance of the Case in the Official Unit Trial*, 423 PLI/Pat 197, 262 (1995); see, e.g., *Amicus Communications, L.P. v. Hewlett-Packard Co.*, No. 99-0284 HHK/DAR, 1999 WL 33117227, at *2 (D.D.C. Dec. 3, 1999) (collecting cases).

²⁰⁷. *Alcon Labs., Inc. v. Pharmacia Corp.*, 225 F. Supp. 2d 340, 344 (S.D.N.Y. 2002) (“[A] patent prosecution attorney cannot avoid being deposed simply because he is later selected to act as trial counsel in an infringement action concerning the very patent he helped to prosecute.”).

²⁰⁸. The Federal Circuit has held that Fed. R. Civ. P. 9(b) applies to inequitable conduct. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326 (Fed. Cir. 2009). In my view, this was error because Rule 9(b) cannot be applied to require particularized pleading of most inequitable conduct defenses, since the Federal Circuit has held that inequitable conduct is *not* fraud. See David Hricik, *Wrong About Everything: Application by the District Courts of Federal Rule of Civil Procedure 9(b) to Inequitable Conduct*, 86 MARQUETTE L. REV. 895 (2003).

²⁰⁹. *Ed Tobergte Assocs. Co. v. Russell Brands, LLC*, 259 F.R.D. 550 (D. Kan. 2009) (granting motion to compel deposition in light of inequitable conduct defense); *Plymouth Indus., LLC v. Sioux Steel Co.*, 2006 WL 695458 (D. Neb. March 17, 2006) (denying motion for protective order to quash deposition of prosecuting-litigator); *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 because the “affirmative defense of inequitable conduct makes [the prosecuting-litigator’s] mental impressions during the reexamination proceedings an issue in this litigation”); *Hay & Forage Indus. v. Ford New Holland, Inc.*, 132 F.R.D. 687, 690 (D. Kan. 1990) (in denying motion to quash subpoena of prosecuting litigator, court stated that attorney’s “meetings with the patent examiner are relevant to the defense of inequitable conduct”); see also *Interactive Coupon Marketing Group, Inc. v. H.O.T! Coupons, LLC*, No. 98 C 7408, 1999 WL 409990, at *4 (N.D. Ill. June 7, 1999) (denying motion to disqualifying trial counsel who had prosecuted patent-in-suit where counsel had not yet been deposed); *ResQNet.com, Inc. v. Lansa, Inc.*, No. 01 Civ.3578(RWS), 2004 WL 1627170 (S.D.N.Y. July 21, 2004) (quashing subpoena directed to trial counsel who had prosecuted patent-in-suit where no allegation of inequitable conduct had been pled and the other grounds for obtaining deposition were found to be insufficient); *aaiPharma, Inc. v. Kremers Urban Dev. Co.*, 361 F. Supp. 2d 770, 774 (N.D. Ill. 2005) (refusing to quash subpoenas served on trial counsel).

litigant.”²¹⁰ The choice that courts that permit depositions of prosecuting-litigators give to litigants is between the risks arising from deposition of trial counsel and the benefit of retaining a lawyer who understands the underlying technology, and who the client has already paid—once—to gain that understanding.

Clearly, an attorney who is asked by a client to litigate a patent he prosecuted should advise the client of the risks of deposition and the benefits of proceeding with her and should act accordingly. The client may be unaware of the fact that trial counsel could be deposed. In some cases, it may be wise for the prosecuting-litigator to seek a court’s order that his deposition be taken early in the case, to avoid disclosure of trial strategy and to prevent interruption of trial preparation on the eve of trial.

In recent years with the increased use of reexamination, questions about whether the high burden under the *Shelton* standard must be met where counsel is involved in reexamination, not litigation.²¹¹ With the rise of the new post-grant procedures, this issue will likely receive more attention.

3. Advocate-as-Witness Disqualification

District courts have reasoned that assertions of inequitable conduct can be used to disqualify counsel, believing that “if the attorneys representing the party accused of inequitable conduct are the same attorneys who represented the client in the patent prosecution, then the party asserting inequitable conduct will often move to disqualify those attorneys.”²¹² In fact, motions to disqualify trial counsel who prosecuted the application that led to the patent-in-suit are not uncommon.²¹³

^{210.} *Alcon Labs., Inc. v. Pharmacia Corp.*, 225 F. Supp. 2d 340, 344-45 (S.D.N.Y. 2002).

²¹¹ In *Sterne Kessler Goldstein & Fox v. Eastman Kodak Co.*, 276 F.R.D. 376 (D. D.C. 2011), the firm was accused of failing to disclose certain information during reexamination concurrent with pending litigation. The court held that the stringent *Shelton* test did not apply because it was limited to trial counsel, and the firm was not representing the client in the litigation, just reexamination. Nonetheless, even under the more relaxed standard, the court granted a motion to quash the deposition of reexamination counsel, in part because the claim of inequitable conduct had not yet been added to the pleadings, but also because its role in concurrent reexamination proceedings made any deposition fraught with potential disclosure of litigation counsel. *See also* *Exmark Mfg. Co. v. Briggs & Stratton Power Prods. Group, LLC*, 2011 WL 1467435 (D. Neb. Apr. 18, 2011) (applying *Shelton* to deposition of prosecuting-litigator who had represented party in prior suit on same patent, but permitting deposition because whether lawyer’s statement in petition to make special was true could only be determined from his testimony).

^{212.} *Chiron Corp. v. Abbott Labs.*, 31 U.S.P.Q.2d 219 (N.D. Cal. 1994).

^{213.} *See* *Coolsavings.com Inc. v. E-Centives, Inc.*, No. 98 C 4924, 2000 WL 1262929 (N.D. Ill. Sept. 1, 2000) (denying motion to disqualify); *Sun Microsystems, Inc. v. Dataram Corp.*, No. CIV. 96-20708 SW, 1997 WL 50272, at *4 (N.D. Cal. Feb. 4, 1997) (citing “inherent dangers” of inequitable conduct defense as including “attorney disqualification”); *Personalized Mass Media Corp. v. Weather Channel, Inc.*, 899 F. Supp. 239, 244 (E.D. Va. 1995) (disqualifying lawyer); *Summagraphics Corp. v. Sanders Assoc., Inc.*, 19 U.S.P.Q.2d

Due to specialization of attorneys, it will be seldom be the case that an attorney who prosecuted the patent-in-suit also serves as trial counsel. In my experience, that has never occurred.

State rules governing the advocate-as-witness rule do vary.²¹⁴ However, to the extent that federal courts addressing the ethical issues created by prosecuting-litigators testifying in trials follow the majority interpretation of the *Model Rules*, disqualification should result in few cases.²¹⁵ This is true for at least three reasons.

First, even if the prosecuting attorneys were witnesses at trial, only the attorneys who personally prosecuted the patent should be disqualified—not other members of their firm.²¹⁶ Only if there is a conflict under Model Rules 1.7 or 1.9 should members of the testifying attorney’s firm be disqualified.²¹⁷

Second, even those attorneys who were personally involved in prosecution and found to be disqualified under the advocate-as-witness rule are generally disqualified only from actually appearing before the jury at trial. When Model Rule 3.7(a) disqualifies a lawyer-witness, it does so only from “act[ing] as an advocate at trial.”²¹⁸ The only disqualification that most courts now impose on lawyers who are disqualified under the lawyer-witness rule is that such lawyers may not serve as counsel *at trial*, and then, the proscription exists only where trial is to the jury. Accordingly, even a litigator disqualified from trying the case would be free to conduct discovery, argue dispositive motions, control and direct the lawsuit, and handle any appeal.

1859, 1861-62 (D. Conn. 1991) (disqualifying lawyers whose testimony concerning validity would conflict with client’s position at trial).

²¹⁴ A federal court in an infringement suit would apply its approach to ethics rules. *See supra* notes 99-106 and accompanying text. In the typical case, the PTO Code would not preempt application of such rules, in my view, since it generally is not necessary for the PTO to achieve its federal objectives for practitioners to be able to act as advocates in suits involving issued patents where their testimony is required.

²¹⁵ Under other sets of rules, and to the extent that the court finds the rules to provide the pertinent standard, disqualification may be more likely. *Personalized Mass Media Corp. v. Weather Channel, Inc.*, 899 F. Supp. 239, 244 (E.D. Va. 1995) (disqualifying lawyer). *Personalized Mass Media* was properly criticized, however, for applying the wrong definition of “prejudice” since the court reasoned that any charge of inequitable conduct meant that the attorney’s testimony would be prejudicial—even if the attorney testified that he had not engaged in any misconduct. *See Coolsavings.com Inc. v. E-Centives, Inc.*, No. 98 C 4924, 2000 WL 1262929 (N.D. Ill. Sept. 1, 2000) (“The Court finds the *Personalized Mass Media* case unpersuasive because the district court applied an incorrect prejudice standard.”).

²¹⁶ W.A. R. 3.7(b).

²¹⁷ *See generally* Kubin v. Miller, 801 F. Supp. 1101 (S.D.N.Y. 1992) (firm-wide disqualification is “extremely harsh” and should be limited); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 108, cmt. i (a lawyer affiliated with the disqualified lawyer “may serve as advocate...so long as the representation would not involve in conflict of interest”).

²¹⁸ *See* ABA Comm. on Ethics and Prof’l Responsibility, Informal Op. 89-1529 (1989) (lawyer may conduct pre-trial proceedings); *see also* ABA Comm. on Ethics and Prof’l Responsibility, Informal Op. 83-1503 (1983) (lawyer may handle appeal).

Further, assuming participation at trial by a lawyer who had prosecuted the patent was critical, inequitable conduct presents no jury issues.²¹⁹ Under those circumstances, a separate trial to the judge alone²²⁰ may be used to obviate any ethical issues since most courts hold that disqualification is not necessary when the fact-finder is a judge, not a jury.²²¹

Finally, even in those few cases where the prosecuting attorney is also trial counsel and separate trials are not possible, the fact is that it is extremely unlikely that the lawyer will ever testify in court. Like all civil cases, the vast majority of patent cases settle prior to trial.²²²

For all these reasons, it is unlikely that the advocate-witness rule will often require disqualification at trial, at least in those jurisdictions following the ABA interpretation of Model Rule 3.7. However, there are also more subtle ethical issues which practitioners must face. For example, if the lawyer will be a witness, and so recommends to the client to seek bifurcation, this could be prejudicial to the client: it may be that bifurcation will allow the lawyer to remain in the case, for example, but at additional expense to the client. Or, it could be that bifurcation will weaken the client's liability case, due to admissibility issues or other reasons.²²³ Thus, a lawyer who wants to seek bifurcation in order to avoid disqualification under the advocate-as-witness rule should discuss these issues

²¹⁹ *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1212 (Fed. Cir. 1987) (holding there is no right to jury trial on any aspect of inequitable conduct). *See generally* Michael A. O'Shea, *A Changing Role for the Markman Hearing: In Light of Festo IX, Markman Hearings Could Become M-F-G Hearings Which Are Longer, More Complex, and Ripe for Appeal*, 37 CREIGHTON L. REV. 843 (2004) (describing availability of bifurcation under FED. R. CIV. P. 42(b)).

²²⁰ *See generally* *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1212 (Fed. Cir. 1987) (noting availability of separate trials); *see also* O'Shea, *supra* (describing increasing role of pre-trial, non-jury hearings to resolve many critical issues in patent cases).

²²¹ *See Interactive Coupon Marketing Group, Inc. v. H.O.T! Coupons, LLC*, No. 98 C 74, 1999 WL 409990, at *4 (N.D. Ill. June 7, 1999).

However, some courts have stated that the fact that trial will be to the bench does not eliminate the possibility of disqualification, but instead merely makes the reasons for disqualification "less persuasive." *See Coolsavings.com Inc. v. E-Centives, Inc.*, No. 98 C 4924, 2000 WL 1262929 (N.D. Ill. Sept. 1, 2000) (quoting *United States v. Johnston*, 664 F.2d 152, 157 (7th Cir. 1981)); *see also* *Environ Prods. Inc. v. Total Containment Inc.*, 41 U.S.P.Q.2d 1302 (E.D. Pa. 1995) (stating that prosecuting-litigator "could rest assured that he will not be disqualified from this litigation if 'disqualification of the lawyer would work a substantial hardship on the client'") (quoting Pa. RULES OF PROFESSIONAL CONDUCT 3.7).

²²² *See* Edward G. Poplawski, *Selection and Use of Experts in Patent Cases*, 27 AM. INTELL. PROP. ASS'N Q.J. 1, 3 (1999) (noting that more than 90% of patent cases settle prior to trial). This fact suggests that judges should in many cases delay deciding motions to disqualify based on the advocate-as-witness rule since any ruling may be unnecessary. On the other hand, a party which believes opposing counsel is disqualified under the advocate-as-witness rule cannot unduly delay in raising the motion, for doing so risks waiver or accusation that the motion was raised on the "eve of trial" only as a litigation tactic. Clearly, providing timely notice at least to the opposing party of an objection to trial counsel's participation is needed.

²²³ *See* WA. R. 1.7.

with the client if they are present in the particular case, and to the extent necessary obtain informed consent.²²⁴

Recent district court decisions illustrate that, as with using prosecution counsel to try a case, using opinion counsel to try a case will also result in difficult and expensive issues including determining what is “opinion” as compared to “ordinary” work product, and how to protect against disclosure of the former. Several cases teach that, even if proper and wise, selection of opinion counsel as trial counsel will drive up litigation costs, and perhaps substantially so.²²⁵

C. Opinions from Trial Counsel: Handfuls of Sand?

It is common for companies marketing products or services in the United States to obtain an “opinion of counsel” before doing so if the company is concerned that its product or service will be accused of infringing a patent owned by a third party. Having such an opinion both provides comfort to the client in knowing that it is not violating the law, and also will reduce the likelihood of it being forced to pay “enhanced” damages if the opinion turns out to be incorrect.²²⁶

If an infringement suit is filed, then from the perspective of both lawyer and client, it will appear efficient – why, after all educate two firms about what could be complex technology – for the accused client to rely on the same firm that provided to it an opinion of counsel as trial counsel. Likewise, it may appear efficient for a client sued for infringement that had not previously obtained an opinion of counsel to obtain one during litigation from trial counsel.

This shows that combining the roles of opining and litigating create risks for the client that may not arise as acutely when the roles are kept separate. In particular, this article first shows that combining the role of opinion and trial counsel increases both the risk of disqualification under the lawyer-as-witness

²²⁴ See WA. R. 1.7(b).

²²⁵ See generally, *Duhn Oil Tool, Inc. v. Cooper Cameron Corp.*, 2009 WL 3381052 (E.D. Cal. Oct. 15, 2009).

²²⁶ Title 35 authorizes a trial court in its discretion to increase the damages awarded for patent infringement to a maximum of three times. 35 U.S.C. § 284 (2005); see *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). One basis for awarding so-called “enhanced” damages is if the infringer “acted in wanton disregard of the patentee’s patent rights, that is, where the infringement is willful.” *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (citations omitted). Willful infringement arises where a potential infringer has actual notice of another’s patent and fails to exercise due care to determine whether their continued activities would infringe a valid, enforceable patent. See *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1580 (Fed. Cir. 1992). One important factor in determining whether an accused infringer met its duty of care is whether it sought legal advice before continuing its activities. Where it obtains such advice, the issue becomes whether it reasonably relied upon that opinion in continuing the alleged infringing activities. See *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992).

rule, and then describes the various approaches that the district courts are taking to the question of whether and if so to what degree combining the roles increases the risk of waiver of privilege or work product over communications with trial counsel. The article concludes by addressing whether obtaining an opinion from the same firm that serves as trial counsel may result in substantial harm to the client, and render the opinion little more than a handful of sand.

1. Advocate-as-Witness Disqualification

Model Rule 3.7 generally prohibits a lawyer from personally acting as an advocate at trial and also testifying as a necessary witness.²²⁷ The rule also “imputes” this conflict by sometimes preventing one lawyer at a firm from trying a case if another lawyer at the firm is disqualified.²²⁸ Thus, combining trial and opinion counsel implicates the rule: if the same lawyer who gave the opinion is also trial counsel, the rule is implicated; likewise, if a lawyer at the same firm as trial counsel gave an opinion of counsel, the rule is implicated because of the imputation principle. Further, as becomes clear below, federal courts in many circuits are not bound by the strict limitations in the rule, and can impute disqualification even where that is unnecessary under the Model Rules.

a. The Split on Disqualification

A lawyer who provides an opinion of counsel about a patent is likely to be subject to deposition²²⁹ and one who combines the opining role with a role in litigation is likely to face a motion to disqualify based upon the advocate-as-witness rule. Whether disqualification under the advocate-as-witness rule would be required has split the courts.

²²⁷ Washington Rule 3.7 provides in full:

- (a) A lawyer shall not act as an advocate in an adversarial proceeding 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) If, after undertaking employment in contemplated or pending litigation, a lawyer learns or it is obvious that the lawyer may be called as a witness other than on behalf of the client, the lawyer may continue the representation until it is apparent that the testimony is or may be prejudicial to the client.
- (c) A lawyer may act as advocate in an adversarial proceeding in which another lawyer in the lawyer's firm is likely to be called as witness unless precluded from doing so by Rule 1.7 or 1.9.

²²⁸ *See id.*

²²⁹ *E.g.*, *Clintec Nutrition Co. v. Baya Corp.*, No. 94 C 7050, 1996 WL 153881 (N.D. Ill. Mar. 28, 1996) (granting motion to compel deposition of opining-litigator).

Some courts deny the motions because the attorney's role in preparing the opinion and the client's receipt of it are likely to be uncontested.²³⁰ These courts view the issue as one of the client's reliance, which is not affected by the fact that trial and opinion counsel are from the same firm.

Other courts disagree. Foremost, a Western District of Texas court disqualified an entire firm from litigating a case where lawyers had given an opinion of counsel. In *Crossroads Sys. (Texas), Inc. v. Dot Hill Sys. Corp.*,²³¹ lawyers from Morgan Finnegan had given a noninfringement opinion to a client. Later, other Morgan Finnegan lawyers represented the client when an infringement suit was filed against it over the same patent. The patentee, Crossroads, filed a motion to disqualify Morgan Finnegan from acting as trial counsel for the accused infringer, Dot Hill. The trial court granted the motion, even though it recognized that the ethics rules generally did not require firm-wide disqualification under these circumstances. Explaining why firm-wide disqualification was required, the court stated:

The Court believes that... a strict prohibition on all members of the testifying lawyer's firm serving as trial counsel is appropriate. Crossroads will be seeking to attack the reasonableness of Dot Hill's reliance on the opinions given by Morgan & Finnegan attorneys, in part, by attacking the accuracy and validity of the opinions themselves as well as the work underlying the formulation of the opinions. Moreover, the reasonableness of Dot Hill's reliance on the opinions will necessarily raise other factual questions, such as what relevant, non-privileged facts (besides those contained in the opinion letters) were communicated between Dot Hill and its opinion counsel. Since both the credibility and legal acumen of Morgan & Finnegan attorneys will be in issue at the trial, if other Morgan & Finnegan attorneys were permitted to serve as trial counsel, they would be placed in the awkward and unseemly position of having to advocate for the credibility and reliability of the testimony of their

230. The few courts that have analyzed whether an opining-litigator must be disqualified under the advocate-as-witness rule have split. Compare *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, No. 95 Civ. 8833(RPP), 2000 WL 1655054, at *2 (S.D.N.Y. Nov. 3, 2000) (denying motion to disqualify opining-litigator on grounds that it was uncontested that he had provided the opinion and so disqualification was improper), and *Amsted Ind. Inc v. Nat'l Castings, Inc.*, No. 887, 1990 WL 106458 (N.D. Ill. June 22, 1990) (holding that opining-litigator was not required to testify as to foundation of opinion), with *Rohm Haas Co. v. Lonza, Inc.*, No. Civ.A. 96-57, 1999 WL 718114, at *1 (E.D. Pa. Sept. 7, 1999) (granting motion to disqualify opining-litigator). Whether disqualification of an opining-litigator is appropriate would turn on whether his testimony in the particular case would be necessary. Most often, where it is reliance by the client on the opinion and not preparation of the opinion which is in issue, disqualification would not be appropriate since the fact that the lawyer prepared the opinion would be an uncontested issue. Virginia Rule 3.7(a)(1) does not prescribe disqualification where the lawyer's testimony relates to uncontested issues.

²³¹ 2006 WL 1544621 (W.D. Tex. May 31 2006).

law partners. Even worse, if the testifying Morgan & Finnegan attorneys were to give testimony that was adverse to Dot Hill's interests, the attorneys serving as trial counsel would be squarely confronted with a conflict of interest in grappling with competing duties to the client and to the firm.

Other potential problems would be sure to arise in the course of a trial in which members of Morgan & Finnegan would be serving as trial counsel while others would be testifying as witnesses. The trial counsel would be put in the position of having to comment on and actively praise the work product of their own firm in the course of arguing the reasonable reliance on the opinion letters by Dot Hill. Another difficulty would be that numerous extraneous issues would likely be injected into the case if a Morgan & Finnegan witness is permitted to testify. Efforts at impeaching the Morgan & Finnegan witnesses may inquire into potential sources of bias, including the amount of fees that were generated in the production of the opinion letters and the amounts Morgan & Finnegan earned before the production of the letters and continues to earn to this day based on its work for Dot Hill. If Morgan & Finnegan were to continue to serve as trial counsel, these questions could potentially serve to impeach the credibility of Dot Hill's trial counsel at the same time as they affect the credibility of the witnesses. The credibility of a party's trial counsel, however, clearly should not be an issue in the case.²³²

The court also rejected allowing the accused infringer to decide whether to call opinion counsel to the stand, explaining that it believed that such decision was tainted by the conflict faced by Morgan & Finnegan:

Furthermore, so long as Morgan & Finnegan serves as trial counsel, the motivations behind the potential for a decision not to call the Morgan & Finnegan opinion attorneys as witnesses on behalf of Dot Hill becomes immediately suspect. So long as the Morgan & Finnegan trial attorneys are grappling with divided loyalties to their firm and to their client, there can be no assurance that their representation of Dot Hill would not be different if the credibility and competence of their partners were not in issue.²³³

²³² 2006 WL 1544621 at *10 (citations and footnote omitted).

²³³ 2006 WL 1544621 at *11 (citations and footnote omitted). The court also noted that “Other issues that Morgan & Finnegan's service as trial counsel would tend to implicate include knowledge on the part of the Morgan & Finnegan attorneys concerning: (1) the reasons for the Chaparral purchase; (2) the development of products designed to defeat infringement; and (3) the economic benefit to Dot Hill with respect to the sale of potentially infringing products. In sum, there are simply too many potential rabbit trails and invitations to jury confusion if Morgan & Finnegan attorneys were permitted to serve as trial counsel when their partners will be taking the stand as witnesses.” *Id.*

Although an unusual case with somewhat distinct facts, some federal courts could continue to disqualify a firm from appearing at trial where other lawyers in the firm had given an opinion. Significantly, the court recognized that, under Fifth Circuit precedent, it was not bound to follow the more relaxed standards of the Model Rules, and could impute the conflict even where it would not be imputed under those rules.²³⁴

That was the result in a more recent case from the Southern District of Texas by judge Lee Rosenthal in *Landmark Graphics Corp. v. Seismic Micro Tech., Inc.*²³⁵ She held that the lawyer who had prosecuted the case was not disqualified from pre- or post-trial activities, but could not appear before the jury as trial counsel or serve as counsel during a bench trial on inequitable conduct.

b. What to Do?

A firm that has already given an opinion of counsel to a client should investigate the district court's approach to advocate-as-witness disqualification before agreeing to represent the client in litigation. Likewise, trial counsel should refrain from providing such opinions after suit has been filed without also investigating first. Rules such as Model Rule 1.7(a)(2) or other applicable standards may require the lawyer to discuss potential disqualification with the client and seek the client's informed consent on how to proceed. Lawyer and client should discuss whether to seek bifurcation to keep the lawyer in the case, or try the case in one phase and obtain new trial counsel, and the advantages and disadvantages of each course.

If the roles are combined, there may be means to avoid disqualification. In some courts, for example, bifurcation or stay of the issue of willfulness may be the means to delay the need for disqualification.²³⁶ However, on the question of whether or not to bifurcate, a lawyer's interests may conflict with the client. A lawyer may want to obtain bifurcation so that he can litigate at least part of the case, while bifurcation may not be in the best interest of the client, who may be better served by presentation of all issues in suit in a single proceeding before one fact finder. In such cases, a concurrent conflict of interest could develop, requiring the informed consent of the client. This possible conflict, and needs for efficiency, led the *Crossroads* court to deny bifurcation.²³⁷

²³⁴ *Id.*

²³⁵ 2007 WL 735007 (S.D. Tex. Jan. 31, 2007). See *Emory Univ. v. Nova Biogenetics, Inc.*, 2006 WL 2708635 (N.D. Ga. Sept. 20, 2006) (denying motion to disqualify prosecuting litigator)

²³⁶ See generally Edward Poplawski, *Effective Preparation of Patent Related Exculpatory Legal Opinions*, 29 AM. INTELL. PROP. ASS'N Q.J. 269, 288-91 (2001) (discussing means to reduce need for lawyer's testimony or otherwise stave off disqualification of opening-litigator); George M. Sirilla et al., *Advice of Counsel: Defense or Dilemma? Friend or Foe?*, 81 J. PAT. & TRADEMARK OFF. SOC'Y 376 (1999) (discussing lawyer-witness rule and ability to bifurcate to avoid it).

²³⁷ 2006 WL 1544621 at *11.

2. Enhanced Risk of Waiver of Work Product

When proven, willful infringement permits a court to award up to treble damages, attorneys' fees, and costs to the patentee.²³⁸ Willful infringement occurs when the infringer acted with at least "objective recklessness."²³⁹ One factor in determining whether an accused infringer acted objectively recklessly is whether it relied on an opinion of counsel.²⁴⁰ Thus, an alleged infringer can choose to waive privilege over an invalidity, noninfringement, or unenforceability opinion of counsel on which it relied in undertaking its activities.²⁴¹ When an accused infringer produces the opinion, it waives privilege over that opinion, and also in many courts on all communications on the "subject matter" as that opinion²⁴²

The scope of waiver of privilege or work product that accompanies production of an opinion counsel has changed dramatically in just the last two years. Two recent Federal Circuit cases have become critical.

The starting point is a seminal May 2006 Federal Circuit case that addressed a petition for writ of mandamus challenging a district court's ruling on the scope of both the waiver of attorney-client privilege and work product immunity where the waiver resulted from the defendant's election to rely on the advice of counsel to rebut a charge of willful infringement.²⁴³ For reasons that will become clear, the context of the observations made by the judges in deciding *EchoStar* is critically important, since the court used broad language, but was actually deciding a narrow issue.

In *EchoStar*, TiVo filed an infringement suit against EchoStar, which asserted the defense of reliance on the advice of two opinions of counsel: one from its in-house counsel, and obtained before the suit had been filed; the other obtained from its outside counsel, Merchant & Gould, after the suit had been filed.²⁴⁴ Both opinions addressed only non-infringement, not invalidity or unenforceability.²⁴⁵ TiVo argued that the assertion of this defense triggered a broad subject matter waiver, and ultimately the district court largely agreed, ordering the production of privileged material and even work product created by

²³⁸ *Cohesive Tech., Inc. v. Waters Corp.*, 2007 WL 2746805 (D. Mass. Aug. 31, 2007).

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ *See, e.g.*, *Carl Zeiss Jena GmGH v. Bio-Rad Labs. Inc.*, No. 98 CIV. 8012 RCC DFE, 2000 WL 1006371, at *1 (S.D.N.Y. July 19, 2000); *Saint-Gobain/Norton Indus. Ceramics Corp. v. Gen'l Elec. Co.*, 884 F. Supp. 31, 33 (D. Mass. 1995).

²⁴² *See, e.g.*, *Oxyn Telecomm., Inc. v. Onse Telecom*, No. 01 Civ. 1012(JSM), 2003 WL 660848, at *6 (S.D.N.Y. Feb. 27, 2003) (if privileged communications are placed "in issue" by defenses in litigation, then a "broad[] subject matter waiver [of privilege] is effected.").

²⁴³ *In re EchoStar Communications Corp.*, 448 F.3d 1294, 78 USPQ2d 1676 (Fed. Cir. 2006).

²⁴⁴ *Id.* at 1297.

²⁴⁵ *Id.*

Merchant & Gould that had not been communicated to EchoStar, excepting only “trial preparation material unrelated to infringement.”²⁴⁶

EchoStar sought review in the Federal Circuit by way of a petition for mandamus, and Merchant & Gould intervened.²⁴⁷ Questions concerning the scope of waiver caused by reliance on both opinions were raised on appeal.

Concerning in-house counsel, the court quickly rejected EchoStar’s attempt to characterize its reliance on its in-house counsel as not constituting reliance on advice of counsel. The court instead held that “[w]hether counsel is employed by the client or hired by outside contract, the offered advice or opinion is advice of counsel or an opinion of counsel.”²⁴⁸ The court stated that, as a result, there was a waiver of “the attorney-client privilege with regard to any attorney-client communications relating to the same subject matter, including communications with counsel other than in-house counsel, which would include communications with Merchant & Gould.”²⁴⁹

That sentence bears examination. On appeal, there was no dispute concerning any in-house counsel documents.²⁵⁰ Thus, the court’s statement as to the scope of waiver was dicta as to in-house counsel, since there was nothing to decide. In addition, the fact that nothing was in dispute also meant that there was nothing at issue in the case with respect to what “subject matter” was: in other words, the court did not decide whether by relying on a noninfringement opinion, the “subject matter” waived includes invalidity or unenforceability opinions. The sentence also bears examination as to the comment concerning Merchant & Gould. With respect to waiver with respect to privileged communications with Merchant & Gould, the statement is also, seemingly, dicta since the issues on appeal related to work product of Merchant & Gould, not privilege. Further, the court did not decide whether communications made after suit was filed were waived, since that issue was not presented in the case. The context of the case quickly became a battleground for district courts and litigants.²⁵¹

The court then turned to the scope of waiver concerning advice from Merchant & Gould, received after the suit had been filed and held that the district court had abused its discretion in ordering production of work product documents,

^{246.} *Id.*

^{247.} *Id.* In granting the petition, the court first held that Federal Circuit and not regional circuit law governs the extent to which a party waives attorney client privilege and work product by relying on advice of counsel to defend against enhanced damages. *Id.* at 1298.

^{248.} *Id.* at 1299.

^{249.} *Id.*

^{250.} *Id.* at 1297 n.2.

^{251.} The Federal Circuit did not clarify matters by citing *Akeva LLC v. Mizuno Corp.*, 243 F. Supp.2d 418, 423 (M.D.N.C. 2003). In that case, the district court held that privilege and work product were waived over an opinion obtained from trial counsel. That fact pattern was simply not present in *EchoStar*, and the Federal Circuit did not consider the policy issues implicated in that case. Why the court cited the decision is unclear, but the fact that it did so is causing confusion, as shown below.

whether they had been communicated to EchoStar, or not.²⁵² Noting that work product applied only to written or tangible communications, the court emphasized that the purpose of work product differed from privilege and was designed to afford a “zone of privacy” around litigation to permit lawyers to commit thought to paper in order to prepare for trial.²⁵³ As a result, there was no subject matter waiver of work product by reliance upon work product: instead, protection only over factual, not opinion, work product was waived by reliance upon work product.²⁵⁴

In applying these principles to the context of reliance on an opinion of counsel to defend against a charge of willful infringement, the Federal Circuit explained that the purpose of requiring subject matter waiver was to “prevent a party from using the advice he received as both a sword, by waiving privilege to favorable advice, and a shield, by asserting privilege to unfavorable advice.”²⁵⁵ To further that policy, the court reasoned that work product protection was waived to the extent it “could have such an effect.”²⁵⁶

To guide courts in applying these principles, the court identified three categories of work product that generally would be implicated by reliance on opinion of counsel:

- (1) documents that embody a communication between the attorney and client concerning the subject matter of the case, such as a traditional opinion letter;
- (2) documents analyzing the law, facts, trial strategy, and so forth that reflect the attorney’s mental impressions but were not given to the client; and
- (3) documents that discuss a communication between attorney and client concerning the subject matter of the case but are not themselves communications to or from the client.²⁵⁷

With respect to the first category, the court reasoned that because privilege is waived when reliance on counsel is asserted, waiver extends to “any documentary communications such as opinion letters and memoranda.”²⁵⁸ Thus, in the court’s view, work product was no different than privileged information: if either one is communicated to the client, protection is waived. That view is at odds with general principles governing work product: A lawyer does not waive work product protection by providing work product to a client, and a client cannot

^{252.} *Id.* at 1300.

^{253.} *Id.* at 1301.

^{254.} *Id.* at 1302.

^{255.} *Id.* at 1303.

^{256.} *Id.* at 1303.

^{257.} *Id.* at 1302.

^{258.} *Id.* at 1302.

unilaterally choose to waive the lawyer's interest in the protection of work product.²⁵⁹ Nonetheless, the *EchoStar* court reasoned that when the privilege is waived by reliance on advice of counsel, disclosure "become[s] evidence of a non-privileged, relevant fact, namely what was communicated to the client. . ."²⁶⁰ If that were true, then any disclosure of work product to a client becomes evidence of a nonprivileged fact if privilege is otherwise waived. That proposition is startling.

With respect to the third category (the court put it last, but recognized that it "falls admittedly somewhere interstitially between the first and second" and so logically ought to be examined second),²⁶¹ the court stated that work product documents that in effect memorialize or reflect a communication with the client are not protected.²⁶² "Though it is not a communication to the client directly nor does it contain a substantive reference to what was communicated, it will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court."²⁶³ The court's holding makes sense since privilege over communications on the subject of the opinion has been waived, and the fact that a lawyer writes down a privileged communication does not convert the substance of the communication into a work product document. However, the court emphasized that information in such documents that had not been communicated could be redacted.²⁶⁴

With respect to the final (second, in the court's analysis) category of documents – those that are work product but never communicated to the client – the court found work product protection still existed despite waiver of privilege.²⁶⁵ "[I]f a legal opinion or mental impression was never communicated to the client, then it provides little if any assistance to the court in determining

^{259.} Among other things, the work product privilege also belongs to the attorney, not the client, and the client cannot waive the lawyer's interest in work product protection. *Hobley v. Burge*, 433 F.3d 946, 949 (7th Cir. 2006) ("An attorney has an independent interest in privacy, even when the client has waived its own claim, as long as invoking the privilege would not harm the client's interests."), citing Restatement (Third) of the Law Governing Lawyers §90 cmt. c (2000). The Federal Circuit reasoned that its result was consistent with that principle: *EchoStar* had the right to waive attorney-client communications, and that carried with it the right to "waive privilege to evidence of those communications contained in Merchant & Gould's files." 448 F.3d at 1304 n.6. Thus, despite the language in *EchoStar*, the court clearly did not hold that a client has a right to waive work product protection; instead, a client has a right to waive protection over privileged communications even if they are memorialized in work product documents. The court's result was correct, but its language is difficult to reconcile with settled principles of work product.

^{260.} *Id.*

^{261.} 448 F.3d at 1304.

^{262.} *Id.*

^{263.} *Id.*

^{264.} *Id.* at 1304.

^{265.} *Id.* at 1303-04.

whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work product doctrine.”²⁶⁶

The three categories provide some framework for analysis, but the *EchoStar* case has created multiple uncertainties, in part because the court used broad language in the context of a fairly narrow set of facts.

First, for example, the question of what is the “subject matter” waived is obscured by the *EchoStar* decision. Although the case involved only noninfringement opinions received by the client, the court ultimately wrote that an accused infringer who asserts advice of counsel waived protection over communications “concerning whether that patent is valid, enforceable, and infringed by the accused.”²⁶⁷ This language suggests that reliance on an opinion of counsel for one defense waives them for all. That was not an issue in the case, however, and the court’s statement is, at best, dicta.

After *EchoStar*, the district courts began openly disagreeing on whether “subject matter” in this context includes all opinions about any defense, whether or not mentioned in the opinion relied upon by the defendant, or, instead, only opinions that relate to the same precise defense as the opinion waived. Some courts hold that if an opinion concerning one defense is relied upon, other opinions may be withheld. Thus, a defendant who relies upon a noninfringement opinion waives protection over the subject matter of infringement, but not invalidity or unenforceability.²⁶⁸ Other courts, however, after closely parsing the precise context and language of the decision, hold that waiver does not extend beyond the precise subject matter; if an invalidity opinion is relied upon, waiver of noninfringement advice does not occur.²⁶⁹

Second, the court addressed temporal limitations in a footnote. It wrote:

EchoStar contends that waiver of opinions does not extend to advice and work product given after litigation began. While this may be true when the work product is never communicated to the client, it is not the case when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation. *See Akeva LLC*, 243 F.Supp.2d at 423 (“[O]nce a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement.”); *see also Crystal Semiconductor Corp.*

^{266.} *Id.* at 1303.

^{267.} *Id.* at 1305.

^{268.} *Keva LLC v. Mizuno Corp.*, 243 F. Supp.2d 418, 422 (M.D.N.C. 2003)

^{269.} *Intex Recreation Corp. v. Team Worldwide Corp.*, 439 F.Supp.2d 46 (D. D.C. 2006); *Autobytel, Inc. v. Dealix Corp.*, 455 F. Supp.2d 569 (E.D. Tex. 2006) (discussing split in the cases). *See also Genentech, Inc. v. Insmmed Inc.*, 442 F.Supp.2d 838 (N.D. Cal. Aug. 10, 2006) (waiver applied to “the ultimate questions of infringement and invalidity (the subject matter of the advice given by... opinion counsel”).

v. TriTech Microelectronics Int'l, Inc., 246 F.3d 1336, 1351-1353 (Fed. Cir. 2001) (noting that an infringer may continue its infringement after notification of the patent by filing suit and that the infringer has a duty of due care to avoid infringement after such notification).²⁷⁰

This paragraph, and in particular the citation to *Akeva* was quickly followed by several district court opinions taking different views of the scope of waiver of work product with respect to post-suit communications with trial counsel. That issue, of course, was not involved in *EchoStar*.

Instead, the question of whether the waiver that accompanies relying upon an opinion of counsel the subject matter waived when an accused infringer extends to communications with trial counsel was raised in and was decided by the Federal Circuit in the second critical case, the *en banc* decision in *In re Seagate*.²⁷¹

In *In re Seagate*, the court overruled its long-standing interpretation of what constituted “willful infringement,” adopting a new interpretation of Section 284 that authorizes imposition of up to treble damages only if the accused infringer acted in an at least “objectively reckless” manner.²⁷² In addition, the court held that a party aware of a patent that it might be infringing was not under an affirmative duty of care to obtain an opinion, and that its state of mind was irrelevant: objective recklessness mattered.

Finally, but most pertinent here, the court held that waiver of an opinion of counsel did not by itself warrant the conclusion that protection over communications with trial counsel were not also waived.²⁷³ Instead, the Federal Circuit held that “as a general proposition” privilege was not waived over communications with trial counsel, absent “unique circumstances” such as party “chicanery.”²⁷⁴ Likewise, the court held that “as a general proposition, relying on opinion counsel’s work product does not waive work product immunity with respect to trial counsel.”²⁷⁵ The Federal Circuit’s conclusions, however, rested on the fact that it was undisputed that opinion counsel had “operated separately and independently of trial counsel at all times.”²⁷⁶ Thus, so long as trial and opinion counsel operate “separately and independently... at all times” waiver of protection concerning the opinion do not waive protection over communications relating to trial counsel.

²⁷⁰ 448 F.3d at 1302 n.4.

²⁷¹ ___ F.3d ___, 2007 WL 2358677, 83 USPQ2d 1865 (Fed. Cir. 2007) (en banc).

²⁷² *In re Seagate*, 2007 WL 23858677 at *5.

²⁷³ *Id.* at *9, *10.

²⁷⁴ *Id.* at * 9.

²⁷⁵ *Id.* at *10.

²⁷⁶ *Id.* at *1.

It remains to be seen, as a result, whether combining the roles of trial and opinion counsel will continue to increase the likelihood of waiver of communications with trial counsel. Although there is a definite split, most courts hold that an accused infringer may rely on at least a pre-suit²⁷⁷ opinion of counsel without waiving trial counsel's work product, at least where the opinion comes from a different firm than trial counsel.²⁷⁸

The most certain lesson for now is that courts may continue to view the combination of roles as problematic. For example, in a district court decision decided before *In re Seagate, Novartis Pharmaceutical Corp. v. Eon Labs Manufacturing, Inc.*²⁷⁹ the Cohen Pontani firm defended accused infringer, Eon. In response to a charge of willful infringement, Eon procured an opinion from another member of Cohen Pontani, Mr. Pontani. In addition to holding that Novartis was entitled to discover even work product information that Mr. Pontani never provided to Eon, Judge Farnan held that "Eon should be compelled to produce all legal advice it received from *any* member of the Cohen, Pontani law firm with regard to the subject matter of Mr. Pontani's opinion."²⁸⁰ Judge Farnan seemed to view the decision to combine roles as risky:

Eon has not only elected to engage in the unconventional and risky arrangement of having opinion and trial counsel from the same law firm, but Eon's opinion counsel, Mr. Pontani, has actually entered an appearance in this matter. Because the Court cannot differentiate between opinion and trial counsel, the Court will grant Novartis' Motion to Compel to the extent it seeks the production of

²⁷⁷. Where trial counsel provides a post-suit opinion—an unusual circumstance—there is an even greater risk of broader waiver. Explaining why, one court explained:

Here, the opinions were rendered by trial counsel's firm after the litigation began. Although it is difficult to understand how there could be a defense to willful infringement based on an opinion rendered after the litigation began, defendants have raised such a defense. They cannot use their status as trial counsel to erect a barrier to discovery of documents to which plaintiff would otherwise be entitled. Neither can counsel play cute by carefully circumscribing information given to the lawyer in the firm who wrote the opinion, and funneling the information given him through other lawyers in the firm to avoid the concept of 'communications between client and attorney.' If a draft opinion is prepared and given to [the opining litigator] who reviews in light of trial strategy before it is given to the client and then sends it back for redrafting if it is a little weak or inconsistent with the trial strategy, plaintiffs have a right to know this. It bears on the independence, competence, analysis, credibility, and value of the opinion.

Michlin v. Canon, Inc., 208 F.R.D. 172, 174 (E.D. Mich. 2002).

²⁷⁸. See *Motorola, Inc. v. Vosi Techs., Inc.*, No. 01 C 4182, 2002 WL 1917256 (N.D. Ill. Aug. 19, 2002) (holding that privilege over trial counsel's views of infringement or validity were not waived even though on same subject as pre-suit opinions by other lawyers).

²⁷⁹. 206 F.R.D. 396 (D. Del. 2002).

²⁸⁰. *Id.* at 399.

all legal advice Eon received from the Cohen, Pontani law firm relating to the subject matter of Mr. Pontani’s opinion.²⁸¹

Other courts have made similar observations.²⁸² For example, another court reasoned that

the broad waiver rule requiring full disclosure of documents, even if they were not given to the client, is best suited to the situation where the opinion counsel is trial counsel. In that situation, the opinion counsel has a dual role in [advising] the client and, thus, there is a greater need to make sure the opinion is not tainted by bias or other influences²⁸³

The court reasoned that where the opinion came from counsel separate and independent from trial counsel, then the reasons supporting broad waiver of work product are not implicated.²⁸⁴

For the time being, and absent later clarification from the Federal Circuit, combining the roles may result in broader waiver of work product. Although there seems to be little reason for this distinction—after all, nothing prevents trial counsel, in one firm, from discussing its opinions with an accused infringer who received an opinion from another firm—for the time being, and despite the efficiencies that combining roles might bring, the practice is viewed as “unconventional” and “risky.”²⁸⁵

V. Best Mode and the AIA: A False Sense of Security?

A. Introduction

As part of the America Invents Act (“AIA”), Congress made significant changes pertaining to best mode. Most widely known is the removal of a best mode violation as a basis for invalidity or unenforceability of an issued patent. This article summarizes the amendments made to the Patent Act that relate to the best mode before analyzing whether the failure to include the best mode can still lead to potential problems during prosecution or afterward.

²⁸¹ *Id.* (emphasis in original).

²⁸² *Convolve, Inc. v. Compaq Computer Corp.*, No. 00 Civ. 5141 GBD JCF, 2004 WL 1178783 (S.D.N.Y. May 28, 2004).

²⁸³ *Akeva L.L.C. v. Mizuno Corp.*, 243 F. Supp.2d 418, 424 (M.D.N.C. 2003).

²⁸⁴ *Convolve, Inc.*, 2004 WL 1178783, at *9.

²⁸⁵ See generally, Kun Wang, *Uncertainties in the Scope of Waiver in an Advice-of-Counsel and Ethical Issues for Attorneys Serving as Both Opinion and Trial Counsel*, 20 Geo. J. Legal Eth. 953 (2007).

B. Amendments in the AIA Relating to Best Mode.

A number of sections of the Patent Act that relate to best mode were changed by the AIA. Surprisingly, Congress both expanded, or at least clarified, the requirements for disclosure while limiting the impact of failing to disclose.

Congress altered the requirements for disclosing the best mode when it amended Section 112 of the Patent Act. With the newly added language underlined and the deleted language struck through, the pertinent portion of that statute now provides:

The specification shall contain ... the best mode contemplated by the inventor ~~of carrying out his invention~~ or joint inventor of carrying out the invention.

Thus, Congress made clear that the best mode known to an inventor or a joint inventor *must* be included in the specification. It took the time to deliberately amend Section 112 to so require. In the House Judiciary Committee Report on the America Invents Act,²⁸⁶ Congress stated that the best mode was a “disclosure required of an applicant” as “part of the important tradeoff that underlies the patent laws: the grant of a limited-term monopoly in exchange for disclosure of the invention.”²⁸⁷

Somewhat paradoxically, however, Congress eliminated best mode as a defense to patent validity and enforceability and otherwise eliminated its significance. For example, while before the AIA Section 282 made the failure to comply with *any* provision of Section 112 a defense to patent infringement, as amended Section 282 now states that “the failure to disclose the best mode shall not be a basis on which an claim of a patent may be canceled or held invalid or otherwise unenforceable....”²⁸⁸

Similarly, a later filed application can claim priority to an earlier filed one even though the earlier application fails to disclose the best mode for practicing the invention.²⁸⁹ This is true with provisional applications as well.²⁹⁰

Thus, though continuing the requirement in Section 112 that a specification include the best mode known to an inventor, and clarifying that the requirement applied to co-inventors, Congress at the same time severely eliminated the impact of failing to disclose the best mode – but only on issued patents. The strange dichotomy of requiring disclosure of the best mode in the specification but, after issuance, giving the omission no impact leaves practitioners and patent applicants in an odd place. We now turn to that issue.

²⁸⁶ Comm. Rep. 112-98 (June 1, 2011).

²⁸⁷ *Id.*

²⁸⁸ 35 U.S.C. 282(b)(3).

²⁸⁹ 35 U.S.C. § 120.

²⁹⁰ 35 U.S.C. § 119.

C. The Conundrum

A specification must disclose the best mode. Nothing in the AIA altered that requirement. Consistent with it, the United States Patent & Trademark Office (“USPTO”) has stated that the requirements to disclose the best mode remain unaffected by the AIA. In its “frequently asked questions” section of its microsite on the AIA, the USPTO explains:

Question BM2: Does AIA’s amendment to 35 U.S.C. 282(a)(3) impact current patent examination practice regarding evaluation of an application for compliance with the best mode requirement of 35 U.S.C. 112?

No. As this change is applicable only in patent validity or infringement proceedings, it does not change current patent examination practices set forth in MPEP § 2165.

Question BM3: What is the impact of AIA’s amendment to 35 U.S.C. 282(a)(3) concerning Best Mode?

The failure to disclose the best mode shall no longer be a basis, in patent validity or infringement proceedings, on which any claim of a patent may be canceled or held invalid or otherwise unenforceable. As stated above, this new practice does not affect the patent examination practice.²⁹¹

The reason for this position, of course, is the plain language of the AIA: the USPTO does not during prosecution make determinations as to validity or enforceability (except in rare circumstances): it addresses patentability.

Thus, to obtain a patent, an applicant must disclose the best mode; however, failure to do so will have no impact on validity or enforceability, nor serve as grounds to cancel a claim. However, a lawyer filing an application must include the best mode as part of the specification.

Under the current patent act, the failure to include best mode is a grounds for rejecting a claim. Therefore, it is but-for material. Thus, failure to include the best mode violates Rule 1.56, and the violation of Rule 1.56 can serve as a basis to discipline a practitioner.²⁹² Thus, the only “real” consequence remaining of a best mode violation will fall, if at all, on the practitioner.

There are competitive reasons why a client, however, would not want to include the best mode. For example, the best mode might be a trade secret that

²⁹¹ http://www.uspto.gov/aia_implementation/faq.jsp#heading-2

²⁹² 37 C.F.R. 10.23(c)(10) (prohibiting a practitioner from “[k]nowingly violating or causing to be violated the requirements of § 1.56... of this subchapter.”).

would require significant time and expense to reverse engineer. Or, it may simply be a competitive advantage the applicant does not want to disclose.

This puts the lawyer in an awkward place, to say the least.

D. Conclusion

Until Congress eliminates the best mode as a requirement, practitioners should explain fully the continuing requirement to disclose the best mode as well as the impact, or lack thereof, of failing to do so. In that regard, an applicant may want to consider whether it would want to open its inventors up to cross-examination on the failure to disclose information required by a federal statute. Similarly, failure to disclose the best mode might constitute evidence from which a court could infer an intent to deceive in connection with some other omission or misrepresentation. Finally, it is possible that a creative litigant will come up with other means to raise this violation, such as through antitrust or unfair competition laws.

VI. An Update Prospective Consent

A. The Basic Conflict Rules Combined with the Nature of Patent Practice Give Rise to Ethical Conflicts in Unforeseeable Manners.

In most jurisdictions, absent consent a lawyer may not be adverse to a current client, even in a matter wholly unrelated to the lawyer's representation of the client.²⁹³ In most jurisdictions, this prohibition is imputed among all lawyers in a firm, so that if one lawyer is representing a client, no lawyer may be adverse to that client, again absent consent. *E.g.*, Model Rule 1.10.

As explained above, the boundaries of what is "adverse" in patent practice are not particularly well illuminated. It is more common in patent practice than most other areas for "conflicts" to develop because of citation of art by an examiner, extension by a client into different technology areas, and other factors. Thus, "adversity" is not as easy to spot, or predict, in patent prosecution as it is in other areas.

Former client conflict of interest rules are generally more relaxed, and generally permit a lawyer to be adverse to a former client unless the matter against the former client is "substantially related" to the earlier representation of the client, the lawyer actually possesses confidential information of the former client that will materially advance the current client's case against the former client, or, in some jurisdictions, the lawyer is challenging work product he previously prepared for the former client.²⁹⁴ Again, informed consent is of course available to waive any conflict. Although there are some exceptions with respect

²⁹³ *E.g.*, Wash. Rule 1.7(a).

²⁹⁴ *E.g.*, Wash. Rule 1.9.

to former clients of newly-hired lawyers, in general if one lawyer is disqualified so is the entire firm.²⁹⁵

It is not easy to predict how a court will rule on whether two patents are “substantially related” to each other.²⁹⁶ Though not free from its own limitations, the former client rule allows a firm to be adverse to a former client much more readily than do the current client rules. This has led some firms to try to “drop” a current client and be adverse to it under the former client rules, and others to basically have clients agree, prospectively, that the firm may treat them like former clients – being adverse to them except in matters that are substantially related, for example. This paper next turns to those two issues in turn.

B. The Changing Attitudes Toward the “Hot Potato” Limitation on Dropping and Suing and Exceptions to that Principle

There has long been a range of attitudes about whether a lawyer may drop a client to “convert” it into a former client and so be adverse to it under the former client rule. As a general principle, however, a lawyer who wants to sue his own client solely for financial reasons will not be allowed to do so: courts generally state that a lawyer may not drop a client like a hot potato solely to make money.²⁹⁷

But courts even in the same jurisdiction often recognized that under some circumstances this prohibition can go too far.²⁹⁸ It may be, for example, that the lawyer is representing an enormous corporation in a few small matters, and that corporation becomes adverse to a long-standing client of the firm in matters in which the firm has long-represented that client.

Reflecting or leading a more flexible approach, the ABA recently amended comments to Model Rule 1.7 to permit “dropping” a client under far broader circumstances than some cases would suggest. Comment 5 to Model Rule 1.7²⁹⁹ now states:

Unforeseeable developments, such as changes in corporate and other organizational affiliations or the addition or realignment of parties in litigation, might create conflicts in the midst of a

²⁹⁵ *E.g.*, Wash. Rule 1.10.

²⁹⁶ *E.g.*, Hricik, *PATENT ETHICS – LITIGATION* (Oxford University Press 2009).

²⁹⁷ *E.g.*, *Harrison v. Fisons Corp.*, 819 F. Supp. 1039 (M.D. Fla. 1993) (refusing to “allow[] lawyers to pick the more attractive representation” by dropping the disfavored client); *El Camino Resources, Ltd. v. Huntington Nat’l Bank*, 623 F. Supp.2d 863 (W.D. Mich. 2007) (collecting cases applying the “hot potato” rule and refusing to permit drop-and-sue).

²⁹⁸ *See Florida Ins. Guaranty Ass’n, Inc. v. Carey Canada, Inc.*, 749 F. Supp. 255, 261 (S.D. Fl. 1990) (recognizing exception to “hot potato” rule but finding facts did not fit within it); *Tipton v. Canadian Imperial Bank of Commerce*, 872 F.2d 1491 (11th Cir. 1989) (applying former client conflict rules even though client was current client at time of adversity, where firm dropped client).

²⁹⁹ Virginia chose not to adopt this comment.

representation, as when a company sued by the lawyer on behalf of one client is bought by another client represented by the lawyer in an unrelated matter. Depending on the circumstances, the lawyer may have the option to withdraw from one of the representations in order to avoid the conflict. The lawyer must seek court approval where necessary and take steps to minimize harm to the clients. See Rule 1.16. The lawyer must continue to protect the confidences of the client from whose representation the lawyer has withdrawn. See Rule 1.9(c).

The Federal Circuit recently affirmed a district court's decision to permit a firm to "drop and sue."³⁰⁰ Thus, relying on a court to allow for drop-and-sue is not a predictable path. Thus, the other choice some firms have made is to use engagement letters to create prospective consent to a future adverse representation. This article turns there next.

C. The Changing Attitudes Toward Prospective Consent

The general rule is that a client must give *informed consent* to a conflict of interest. In general, this is defined as requiring "that each affected client be aware of the relevant circumstances and of the material and reasonably foreseeable ways that the conflict could have adverse effects on the interests of that client. The information required depends on the nature of the conflict and the nature of the risks involved."³⁰¹

When a conflict has materialized and is known to the lawyer at the time of intake, the lawyer can inform the client of the conflict and obtain the client's informed consent, confirmed in writing, to represent the client. When the conflict has not yet developed, however, but the lawyer wants consent to be adverse to the client *if in the future* something were to develop, obtaining "informed" consent becomes more difficult.

In the past, this had led to a general rejection of prospective consent on the ground that the consent was not informed: the lawyer had not known *the identity of the client* that became adverse, or in *which type of matter* the adversity arose, or the *subject matter* of the representation. Often, as a result, the question became

³⁰⁰ *Commonwealth Scientific & Indus. Research Organisation v. Toshiba Am. Info. Sys.*, 2008 WL 4680559 (Fed. Cir. Oct. 23, 2008); *see also Flying J Inc. v. TA Operating Corp.*, 2008 WL 648545 (D. Utah March 10, 2008) (holding "drop and sue" was not proper but refusing to disqualify firm). *But see* Phil. B. Ass'n Prof. Guidance Comm. Eth. Op. No. 2009-7 (July 2009) (applying Pennsylvania's comment 5 and concluding drop-and-sue was not permitted). *See also Elonex IP Holdings, Ltd. v. Apple Computer, Inc.*, 142 F. Supp.2d 579 (D. Del. 2001) (denying motion to disqualify based on "thrust upon" analysis, in part).

³⁰¹ Wash. Rule 1.7, cmt.; *see id.* Wash. Rule 1.0(e) (defining "informed consent"). Some states, including Virginia, require the consent be in writing, while others just that it be "confirmed" in writing. Obviously, the use of a writing avoids mistakes, differing recollections, and fading memories.

whether when the actual conflict arose the consent had reasonably contemplated it.³⁰²

In the first decade of this Century, however, the American Bar Association and a few influential bar associations adopted comments or bar opinions that relaxed the requirements for advance waivers, particularly among sophisticated clients. Until then, the comments to the Model Rules did not even mention prospective consent, but then a comment was added to the rules that provides in full:

Consent to Future Conflict. Whether a lawyer may properly request a client to waive conflicts that might arise in the future is subject to the test of paragraph (b). The effectiveness of such waivers is generally determined by the extent to which the client reasonably understands the material risks that the waiver entails. The more comprehensive the explanation of the types of future representations that might arise and the actual and reasonably foreseeable adverse consequences of those representations, the greater the likelihood that the client will have the requisite understanding. Thus, if the client agrees to consent to a particular type of conflict with which the client is already familiar, then the consent ordinarily will be effective with regard to that type of conflict. If the consent is general and open-ended, then the consent ordinarily will be ineffective, because it is not reasonably likely that the client will have understood the material risks involved. On the other hand, if the client is an experienced user of the legal services involved and is reasonably informed regarding the risk that a conflict may arise, such consent is more likely to be effective, particularly if, e.g., the client is independently represented by other counsel in giving consent and the consent is limited to future conflicts unrelated to the subject of the representation. In any case, advance consent cannot be effective if the circumstances that materialize in the future are such as would make the conflict nonconsentable under paragraph (b).³⁰³

Consistent with the change reflected by adoption of this comment by at least the ABA, there is clearly a growing acceptance – at least in some quarters -- of advance consents to conflicts, particularly by sophisticated purchasers of legal

³⁰² *E.g.*, Am. B. Ass'n. Prof. Eth. Op. 93-372 (1993) (withdrawn by ABA Eth. Op. 05-436 (May 11, 2005)); N.Y. County Lawyer's Ass'n Comm. on Prof. Eth. Op. No. 724 (Jan. 1998); N.C. St. B. RPC 168 (Apr. 15, 1994); Cal. St. B. Formal Eth. Op. 1989-115 (1989).

³⁰³ Wa/ Rule 1.7, cmt. 22. For an interesting discussion involving Wisconsin law, see https://www.wisbar.org/AM/Template.cfm?Section=Wisconsin_Lawyer&CONTENTID=83126&TEMPLATE=/CM/ContentDisplay.cfm. See R. D. Rotund & John S. Dzienkowski, *Legal Ethics – The Lawyer's Deskbook on Professional Responsibility* §1.7-4(b) (2011-12 ed.) (discussing change to Model Rules' comment).

services. For example, bar associations have issued opinions that are more willing to embrace informed consent.³⁰⁴

Most significantly, perhaps, the ABA withdrew its earlier opinion generally frowning upon advance waivers and replaced it in 2005, stating in part:

The Model Rules contemplate that a lawyer in appropriate circumstances may obtain the effective informed consent of a client to future conflicts of interest. General and open-ended consent is more likely to be effective when given by a client that is an experienced user of legal services, particularly if, for example, the client is independently represented by other counsel in giving consent and the consent is limited to future conflicts unrelated to the subject of the representation. Rule 1.7, as amended in February 2002, permits a lawyer to obtain effective informed consent to a wider range of future conflicts than would have been possible under the Model Rules prior to their amendment. Formal Opinion 93-372 (Waiver of Future Conflicts of Interest) therefore is withdrawn.

Others have taken things a step further that the ABA in the Model Rules and its 2005 opinion. For example, under the D.C. Rules of Professional Conduct, prospective consent is effective if *either* “(1) the consent is specific as to the types of potentially adverse representations and types of adverse clients... *or* the waiving client has available in-house or other counsel independent of the lawyer soliciting the waiver.”³⁰⁵

But a few bar opinions and comments does not mean that blanket waivers are accepted, or that some in the legal community still take a dim view of advance consent.³⁰⁶ Recent cases have still illustrated the need to have clear language waiving a conflict, and the “more detail the better” remains true.

A few patent cases illustrate that lesson.

For example, in *Max-Planck-Gesellschaft Zur Forderung der Wissenschaften E.V. v. Whitehead Institute for Biomedical Research*, __ F. Supp.2d __, 2011 WL 487828 (D. Mass. Feb. 7, 2011), the court found that language in a joint development agreement that allowed one party to control prosecution subject to input from another (according to the court) client did not constitute an effective consent. This case is discussed thoroughly above.

³⁰⁴ *E.g.*, Ass’n. of the B. of the City of N.Y. Comm. on Prof. & Judicial Eth. Formal Op. 2006-1 (Feb. 17, 2006); Ass’n. of the B. of the City of N.Y. Comm. on Prof. & Judicial Eth. Formal Op. 2005-05 (June 2005); D.C. Op. 309 (2001); N.Y. Op. 829 (2009).³⁰⁴ *See also Visa USA, Inc. v. First Data Corp.*, 241 F. Supp.2d 1100 (N.D. Cal. 2003) (denying motion to disqualify based in part on advance consent).

³⁰⁵ D.C. R. Prof. Conduct 1.7, cmt. 31 (emph. added).

³⁰⁶ *See* http://www.bostonbar.org/pub/bbj/bbj_online/bbj1011/winter2011/InBoxWin11.pdf

Similarly, in *Celgene Corp. v. KV Pharm. Co.*, 2008 WL 2937415 (D.N.J. July 29, 2008), a law was defending a patent infringement case, but represented the patentee in unrelated matters. The patentee moved to disqualify the firm, and the magistrate judge granted the motion even though the firm had obtained advance consent, signed by the patentee's in-house counsel, that allowed the firm to be adverse to the patentee and specifically included "litigation" in the agreement. The magistrate found consent lacking for failing to identify the type of matter and the identity of the parties. Curiously, the magistrate also held that the term "substantially related" was ambiguous.³⁰⁷ There are, of course, other cases finding advance consent inadequate under the circumstances.³⁰⁸

On the other hand, the Federal Circuit in *In re Shared Memory Graphics LLC*, 659 F.3d 1336 (Fed. Cir. 2011) relied upon an advance waiver in a joint defense agreement to permit an adverse representation. The court gave a welcome greeting to advance consents, stating in part:

Even in attorney-client situations, general rules of professional legal conduct recognize that in certain circumstances it is not only proper but beneficial for parties to contractually consent to a waiver of future conflicts of interest. *See* Restatement (Third) of the Law Governing Lawyers, § 122 cmt. D (2000) ("[T]he gains to both lawyer and client from a system of advance consent to defined future conflicts might be substantial."); see generally Model Rules of Prof'l Conduct 1.7 cmt. 22 (recognizing the appropriateness of contracting advanced waivers of conflicts of interest). Moreover, courts applying California law, which governs motions to disqualify counsel, *In re Cnty. of Los Angeles*, 223 F.3d at 995, have generally recognized the enforceability of advanced waiver of potential future conflicts, even if the waiver does not specifically state the exact nature of the future conflict, *see Visa U.S.A., Inc. v. First Data Corp.*, 241 F.Supp.2d 1100, 1105 (N.D.Cal.2003).³⁰⁹

Again, there are other cases finding advance consent sufficient under the circumstances.³¹⁰

³⁰⁷ *See* Katie M. Lachter, *Conflicts of Interest – Advance Waivers – Sufficiency of Disclosure – Who is a “Sophisticated Client,”* PLI Order 29137 (2011) (discussing this case in some detail).

³⁰⁸ *GSI Commerce Solutions, Inc. v. BabyCenter, L.L.C.*, 618 F.3d 204 (2d Cir. 2010) (adverse representation deemed not to fit within language of prospective consent); *Brigham Young U. v. Pfizer, Inc.*, 2010 U.S. Dist. LEXIS 104164 (D. Utah Sept. 29, 2010) (court construed advance consent against firm).

³⁰⁹ *Id.*

³¹⁰ *E.g., In re Agouron Pharmaceuticals, Inc.*, 194 F.3d 1329 (Fed. Cir. 1999) (denying mandamus on procedural grounds a decision where the district court had denied a motion to disqualify in part based upon an advance consent); *General Cigar Holdings, Inc. v. Altadis*,

Finally, it is important to emphasize that certain conflicts are non-consentable, such as representing two parties in the same proceeding where one asserts a claim against the other, or which would result in the adverse use of confidential information. Thus, even if the advance consent is effective, the lawyer may nonetheless be ethically prohibited from undertaking the representation.

D. What to Do?

Against this backdrop, three proposed model forms from the New York City Bar Opinions are worth considering:

Conflicts Waiver: EXAMPLE A

(Blanket Advance Waiver Not Including Substantially Related Matters)

Other lawyers in the Firm currently do [XXX] work for [existing client] and its affiliates, and expect to continue to do such work. In order to avoid any misunderstanding in the future, we ask that you confirm that the Company agrees to waive any conflict of interest which may be deemed to arise as a result of such representation. Please also confirm that neither the Company nor any of its affiliates will seek to disqualify our Firm from representing [existing client] or its affiliates in existing or future [XXX] or other matters.

Our agreement to represent you is conditioned upon the understanding that we are free to represent any clients (including your adversaries) and to take positions adverse to either the company or an affiliate in any matters (whether involving the same substantive area(s) of law for which you have retained us or some other unrelated area(s), and whether involving business transactions, counseling, litigation or other matters), that are not substantially related to the matters for which you have retained us or may hereafter retain us. In this connection, you should be aware that we provide services on a wide variety of legal subjects, to a large number of clients both in the United States and internationally, some of whom are or may in the future operate in the same area(s) of business in which you are operating or may operate. (A summary of our current practice areas and the industries in which we represent clients can be found on our web site at www.XXX.com.) You acknowledge that you have had the opportunity to consult with your company's counsel [if client does not have in-house counsel, substitute: "with other counsel"] about the consequences of this waiver. In this regard, we have discussed

S.A., 144 F. Supp. 2d 1334 (S.D. Fla. 2001) (consent reviewed by independent lawyer, and client was sophisticated).

with you and you are aware that we render services to others in the area(s) of business in which you currently engage.

Conflicts Waiver: EXAMPLE B

(Same Type of Advance Waiver as A)

This firm is a general service law firm that [insert client name here] recognizes has represented, now represents, and will continue to represent numerous clients (including without limitation [the client's] or its affiliates' debtors, creditors, and direct competitors), nationally and internationally, over a wide range of industries and businesses and in a wide variety of matters. Given this, without a binding conflicts waiver, conflicts of interest might arise that could deprive [the client] or other clients of the right to select this firm as their counsel.

Thus, as an integral part of the engagement, [the client] agrees that this firm may, now or in the future, represent other entities or persons, including in litigation, adversely to [the client] or any affiliate on matters that are not substantially related to (a) the legal services that [this firm] has rendered, is rendering, or in the future will render to [the client] under the engagement and (b) other legal services that this firm has rendered, is rendering, or in the future will render to [the client] or any affiliate (an "Allowed Adverse Representation").

[The client] also agrees that it will not, for itself or any other entity or person, assert that either (a) this firm's representation of [the client] or any affiliate in any past, present, or future matter or (b) this firm's actual, or possible, possession of confidential information belonging to [the client] or any affiliate is a basis to disqualify this firm from representing another entity or person in any Allowed Adverse Representation. [The client] further agrees that any Allowed Adverse Representation does not breach any duty that this firm owes to [the client] or any affiliate.

Conflicts Waiver: EXAMPLE C

(Advance Waiver Including Substantially Related Matters)

You also agree that this firm may now or in the future represent another client or clients with actually or potentially differing interests in the same negotiated transaction in which the firm represents you. In particular, and without waiving the generality of the previous sentence, you agree that we may represent [to the extent practicable, describe the particular adverse representations that are envisioned, such as "other bidders for the

same asset” or “the lenders or parties providing financing to the eventual buyer of the asset”].

This waiver is effective only if this firm concludes in our professional judgment that the tests of DR 5-1054 are satisfied. In performing our analysis, we will also consider the factors articulated in ABCNY Formal Opinion 2001-2, including (a) the nature of any conflict; (b) our ability to ensure that the confidences and secrets of all involved clients will be preserved; and (c) our relationship with each client. In examining our ability to ensure that the confidences and secrets of all involved clients will be preserved, we will establish an ethical screen or other information-control device whenever appropriate, and we otherwise agree that different teams of lawyers will represent you and the party adverse to you in the transaction.

E. Conclusion

Relying upon judicial decisions that allow for drop and sue probably is not the most predictable way for lawyers and clients to order their relationships. While this suggests using a prospective consent, until a stable body of law exists that allows for predictable use of forms, lawyers must still use as much detail as possible, and, even then, are not guaranteed that their intent will be carried out.

Finally, care must be given to the overall context of the documents involved. In a recent case, the Second Circuit affirmed disqualification of a firm by carefully examining not just the specific waiver language, but its context in the broader relationship of the parties.³¹¹

³¹¹ *GSI Commerce Solutions, Inc. v. Babycenter, LLC*, 618 F.3d 204 (2d Cir. 2010).