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CONFLICTS OF INTEREST: GUIDANCE FOR THE INTELLECTUAL PROPERTY PRACTITIONER *

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I. Introduction

Every attorney has an obligation to avoid and, when necessary, responsibly discharge conflicts of interest. For intellectual property practitioners, the growth of the field and the accompanying expansion of professional opportunities for practitioners, along with the nature of intellectual property law itself, present particular challenges relating to conflicts of interest. This review of conflicts issues confronted by practitioners representing clients in the procurement and enforcement of intellectual property rights is presented to provide guidance for the recognition, avoidance, and reconciliation of conflicts of interest.

II. Controlling Law and Policy

A. Choice of Law

Federal district courts n1 have inherent supervisory authority over the conduct of members of their bars. n2 Decisions on motions to regulate attorney conduct lie within the discretion of the courts. n3

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Attorney disqualification is the remedy most commonly sought when a conflict of interest is alleged, but other, related relief is sometimes requested. n4 As has been observed by one district court considering a disqualification motion in a copyright infringement case, "[n]o statute or [r]ule expressly authorizes motions to disqualify an attorney from appearing in a case." n5 The courts have developed common-law principles n6 by which disqualification and related motions are decided, based primarily on local ethical rules. n7 However, conflicts situations are also evaluated "in light of the public interest and the litigants' rights." n8

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In patent cases appealed to the Court of Appeals for the Federal Circuit ("Federal Circuit"), disqualification motions are treated, for choice of law purposes, as procedural matters that are not unique to patent issues. n9 The Federal Circuit reviews such matters under the law of the particular regional circuit court where appeals from the district court would normally lie. n10

B. Standard of Review

The federal courts of appeals typically review district court disqualification decisions under an "abuse of discretion" or similar

[*270] standard. n11 Thus, district court decisions are upheld if there is "any sound' basis" for them. n12

C. Policies Implicated

The rules prohibiting attorney conflicts of interest are based on two fundamental policies: 1) an attorney must represent his or her client with undivided loyalty; and 2) an attorney must protect his or her client from "disclosure or adverse use of the client's confidential information." n13 The loyalty and confidentiality policies are implicated to different degrees in different conflict of interest situations. For example, the loyalty policy is clearly implicated when an attorney or her firm sues one client on behalf of another. n14 When, however, an attorney sues a former client, courts are primarily concerned with ensuring that the former client's confidences are respected and maintained. n15

As discussed below, the courts consider other interests, including the court's interest and the interests of the public, as appropriate in particular cases. n16 Depending upon the precise facts of a particular case, these secondary concerns may even predominate, leading to results which

[*271] might not have been predicted, based on a straightforward application of established conflicts principles.

III. Typical Conflicts Situations

A. Conflicts With Existing Clients

In jurisdictions which evaluate attorney conduct according to the American Bar Association ("ABA") Model Code of Professional Responsibility (the "Code"), the concurrent representation of two or more clients whose interests are adverse to one another n17 implicates Canon 5 of the Code n18 as well as the corresponding Ethical Considerations n19 and Disciplinary Rules. n20 Concurrent representation of two clients

[*272] having potentially adverse interests can arise in a variety of ways. Perhaps a firm fails to conduct a conflicts check prior to accepting a new client for purposes of bringing suit against an existing client, or a conflicts check fails to detect the conflict. n21 Perhaps an attorney or firm does not realize that a new client is an affiliate of a litigation opponent of an existing client. n22 Alternatively, concurrent representation of potentially adverse clients can result from the amalgamation of clients' businesses n23 or the merger of law practices. n24

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While concurrent representation of adverse clients does not result in automatic disqualification, litigating against a present client gives rise to a presumption of an adverse effect, and thus a violation of DR 5-105. n25 In such situations, the attorney or firm representing the parties must discontinue the multiple representation unless two conditions are met: 1) it must be obvious that the attorney or firm can adequately represent the interest of each client; and 2) each client must consent to the multiple representation "after full disclosure of the possible effect of such representation on the exercise of his independent professional judgment on behalf of each." n26 Failure to satisfy either one of these conditions precludes continuation of the multiple representation, n27 and withdrawal is mandated. n28 However, once a violation of DR-105 has occurred (either because consent has not been obtained or because adequate representation of both parties is not possible), an attorney or firm may not resolve the conflict by unilaterally (i.e., without leave of the court) terminating one or the other as a client. n29

Turning from the realm of theory to the realm of judicial practice, in the Ninth Circuit, determinations of whether it is obvious

[*274] that an attorney can adequately represent adverse parties are made by considering the following factors:

(1) the nature of the litigation;

(2) the type of information to which the lawyer may have had access; [and]

(3) whether the client was in a position to protect his interests or know whether he will be vulnerable to disadvantage as a result of multiple representation n30

The Ninth Circuit rule has been applied in a concurrent representation situation where the two actions at issue were 1) a trademark infringement litigation which had settled before the disqualification motion was decided and 2) an action involving alleged fraud and breach of warranty arising out of the purchase of a pharmaceutical division. In this case, the United States District Court for the Southern District of New York concluded that "the type of information to which [the law firm] had access in the [trademark action] would not be relevant to the [fraud action]." n31 The court thus found no indication that the firm would not be able to adequately represent both parties. n32

Assuming it is "obvious" that the multiple parties can be adequately represented, the attorney or firm must fully disclose the situation and any potential adverse effects to each and must obtain the informed consent of each to the proposed continued representation. n33 Respect for a client's freedom of choice underlies the policy of permitting attorneys to continue concurrently representing two or more adverse clients, assuming that adequate representation of each is obviously possible and informed consent is obtained. n34 In the words of the Ninth Circuit:

It is true that the court has an obligation to safeguard the integrity of the judicial process in the eyes of the public. But the impact upon the public's respect for lawyers may be too speculative to justify overriding the client's right to take a calculated risk and, with full knowledge, engage the attorney of his choice. We do not find it necessary to create a paternalistic rule that would prevent the client in every circumstance from hiring a particular attorney if the client knows that some detriment may result from that choice in a

[*275] later suit. Clients who are fully advised should be able to make choices of this kind if they wish to do so. n35

Where consent to concurrent representation is freely obtained after full disclosure from a sophisticated client, that consent will serve to preclude a subsequent motion to disqualify the counsel to whom the consent has been given. n36 Beware, however, of "consent" obtained from a client under duress, such as when a client would otherwise be left in the lurch. n37

Each concurrent representation situation, like any other potential conflicts situation, must be carefully analyzed on its own facts. The courts tend to approve of less drastic remedies than the harsh medicine of disqualification where the potential conflict is created by the client and where the attorney or firm acts promptly and properly to avoid or rectify any conflict. For example, a law firm was permitted to withdraw from its representation of one of two concurrent clients where the concurrent representation resulted from a corporate merger involving the two clients, the "adverse" client was a merely a sister corporation of the other client's litigation opponent (as distinguished from a situation where the adverse client is the litigation opponent), and the motion to withdraw was made while the merger was still in progress and, therefore in the court's view, before any conflict had developed. n38

Similarly, in *Gould, Inc. v. Mitsui Mining & Smelting Co.*, n39 the court permitted the law firm of Jones, Day, Reavis & Pogue ("Jones Day") to choose between two clients where the conflict had been created by the acquisition of the "adverse" client by an existing client. The conflict in *Gould* resulted in part from the merger of Jones Day with the firm of McDougall, Hersh & Scott ("MS&H"). n40 Prior to the merger, Jones Day represented Gould in its unfair competition action against Pechiney, a client of MS&H in unrelated patent matters. n41 Shortly after the merger, Jones Day had sought and obtained the consent of Pechiney

[*276] to continue its representation of Gould in the Gould-Pechiney matter. n42 Over two years later, Pechiney acquired IG Technologies, Inc. ("IGT"), which was, at the time, an existing Jones Day client in contractual and licensing matters also unrelated to the Gould-Pechiney dispute. n43 Although Jones Day never sought Pechiney's (or Gould's) consent to its continued representation of both Gould and IGT (and thus was held to have violated DR 5-105(C)), the court denied Pechiney's motion to disqualify Jones Day, n44 electing instead to allow Jones Day to choose to continue representing either Gould or IGT. n45

Furthermore, the courts tend to subject disqualification requests to close scrutiny, n46 both out of respect for the client's choice of counsel, n47 and to discourage the interposition of disqualification motions for tactical purposes. n48 Accordingly, disqualification is disfavored where the client

[*277] overlap existed for a brief period of time and where there is no evidence that the moving client has been or could have been prejudiced. n49 In addition, while ethical rules prohibiting conflicts of interest may be violated in the absence of a formal attorney-client relationship, n50 some courts require a party requesting attorney disqualification to prove that such a relationship was established. n51

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B. Conflicts With Former Clients

With the exception of difficult-to-detect conflicts situations, such as those which result from a client's or prospective client's failure to identify its affiliates, or from a client's business acquisitions or mergers, it is generally not difficult for an attorney or firm to avoid suing existing clients. Most conflicts situations arise where the attorney, the firm or the client has moved on and the attorney-client relationship has, at least arguably, been discontinued. For example, a firm may have been engaged for a specific transaction or litigation, or to establish or perfect intellectual property rights relating to a particular trademark, creative work, or invention. Another common source of potential "former client" conflicts is the lateral movement of attorneys among firms.

One district judge has recently described the former client conflict of interest predicament as follows:

It goes to the very heart of a lawyer's ethics: the continuing and sacrosanct duty of fidelity to a client, versus the right to be emancipated from that client and to go off to do lawyering elsewhere. The subtle tugs and tensions between that duty and that right raise questions that are particularly knotty. n52

As is the case with the "existing client" conflicts discussed above, the governing ethical standards are essentially the same regardless of whether the Model Code or the Model Rules guide the determinations. Under Canon 4 of the Model Code, n53 an attorney may be disqualified from representing a client in a particular case if

(1) the moving party is a former client of the adverse party's counsel;

(2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues presented in the present lawsuit; and

(3) the attorney whose disqualification is sought had access to, or was likely to have had access to, the relevant privileged information in the course of his prior representation of the client. n54

In a Model Rules jurisdiction, Rule 1.9 sets the applicable standard:

(a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter

[*279] in which that person's interests are materially adverse to the interests of the former client unless the former client consents after consultation.

....

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

(1) use information relating to the representation to the disadvantage of the former client except as Rule 1.6 or Rule 3.3 would permit or require with respect to a client or when the information has become generally known; . . . n55

When a disqualification motion is brought in the former client context, the parties and the courts tend to focus primarily on the "substantial relationship" aspect n56 of the test, keeping in mind that the purpose of rules governing conflicts with former clients is to prevent a lawyer from using confidential information to his former client's disadvantage. n57 The substantial relationship test serves to protect client

[*280] confidences by allowing courts to avoid examining the content of actual attorney- client communications. n58

Not surprisingly, the courts hold differing views of what constitutes a substantial relationship. Consistent with its general distrust of disqualification motions, n59 the Second Circuit interprets the substantial relationship test strictly, n60 granting disqualification only where the relationship between the issues in the prior and present case are "patently clear," n61 and only when the issues involved have been "identical" n62 or "essentially the same." n63 Under this standard, the District Court for the Southern District of New York held that the issue of whether computer-based training manuals infringed the plaintiff's copyrights was not substantially related to copyright registration work for software used with the manuals. n64

Other courts are less restrictive in their definitions of substantial relationship. For example, in the Tenth Circuit, two matters are substantially related "if the factual contexts of the two representations are similar or related." n65 Applying this fact-oriented standard, the court in *Quark, Inc. v. Power Up Software Corp.* n66 held that a trademark infringement litigation was substantially related to a copyright litigation because "[b]oth . . . involve the same software [and] [b]oth involve questions of intellectual property." n67

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Thus, the outcome in a given disqualification situation can clearly depend on how the court interprets the substantial relationship standard. n68 Under any formulation, however, it is clear that this aspect of the disqualification test is satisfied when the prior and present representations concern the same litigation. n69

1. Ethical "screens" or "walls"

As noted above, former client conflicts situations often arise from the lateral movement of attorneys between firms. Under the doctrine of imputed or shared knowledge, one law firm member's prior representation of an adverse party in a substantially related matter

[*282] necessitates the disqualification of the entire firm. n70 In such a situation, the tainted attorney is presumed to have shared client confidences with his new colleagues, and thus to have "infected" his or her new firm with the conflict. n71 In most jurisdictions, the firm can rebut the presumption by establishing that "specific institutional screening mechanisms have been implemented to effectively insulate against any flow of confidential information from the quarantined attorney to other members of his present firm." n72

Factors to be considered in evaluating the sufficiency of any ethical screen include:

the size and structural divisions of the law firm involved, the likelihood of contact between the infected attorney and the specific attorneys responsible for the present representation, the existence of rules which prevent the infected attorney from access to relevant files or other information pertaining to the present litigation or which prevent him from sharing in the fees derived from such litigation. . . . [and the] specific institutional mechanisms used to block the flow of confidential information. n73

The screening procedure must be both demonstrably effective and timely. n74 Delay for as little as two weeks has been held to violate applicable conflict of interest prohibitions. n75

2. Procurement and subsequent validity challenges

May an attorney who has obtained a patent or registered a trademark for a former client subsequently represent another client in an attack of the validity of the patent or trademark? This situation would appear to fail the substantial relationship test, and some courts have not

[*283] hesitated to endorse an outright prohibition of such conduct, at least where the intellectual property at issue was a patent. n76

Disqualification in such situations is far from automatic, however. Remarkably, one court has held that disqualification is not warranted where the prior representation was limited to the preparation of a patent application, because the attorney in such a situation was acting "in a capacity other than as an attorney." n77 In other cases, attorneys who have prepared or prosecuted patent applications have been permitted to participate in a subsequent attack on the validity of the patent where the validity challenge is based on prior art discovered subsequent to the issuance of the patent. n78 In a similar vein, the District Court for the Northern District of California resolved this type of conflict by giving the law firm and the present client the option to continue the representation on the condition that their defense be limited to assertions of non-infringement. n79 The issue of whether and under what conditions a patent attorney can defend against a charge of patent infringement where the attorney procured the patent is thus an area of some disagreement among the district courts.

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3. Are employee-inventors clients?

When an attorney is hired to prepare and prosecute patent applications for a corporation or other business client, based on inventions made by employees of the business, are the employee-inventors clients of the attorney? Can that attorney later represent the business in a dispute with those employees (or ex-employees)? As part of their efforts to establish former client status in a disqualification bid against the attorney, employee-inventors may argue that they met and corresponded with the attorney on several occasions, communicated confidential information to the attorney, executed a power of attorney in favor of the attorney, and believed that their interests were represented by the attorney. Do these traditional indicia evidence an attorney-client relationship in this context?

The courts have said no. n80 The patent rights in such a case belong to the employer, n81 so the inventors were merely fulfilling their obligation to assist the employer in obtaining the patent rights when they executed the power of attorney. n82 And the policy of protecting client confidences is not implicated in this situation, because any relevant confidences disclosed in communications between the inventor and the attorney were those of the employer. n83

C. "Subject Matter" or "Technology" Conflicts

Most skilled patent attorneys and firms have probably had the opportunity to consider the extent to which they can prepare and prosecute patent applications for more than one client in the same or similar technical fields. Patent attorneys are in demand, especially in highly specialized areas such as biotechnology and computer technology. Attorneys who have developed expertise in a particular technology area are likely to be approached by other potential clients desiring patent protection for related inventions.

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New business opportunities are generally welcomed. However, the representation of multiple clients who are trying to protect closely related inventions presents a number of potential problems or challenges. First, relationships with existing clients can be damaged when an attorney or firm takes on a competitor's work. An existing client may fear that the knowledge and skills acquired by an attorney while working on that client's projects may be used - consciously or unconsciously - to give the new client a competitive advantage. There is even the risk that confidential aspects of the existing client's proprietary technology may find their way into the new client's organization. For these reasons, intellectual property attorneys, especially those engaged in the protection of trade secrets and the acquisition of patents, are well advised to carefully evaluate new business opportunities for the effect that the proposed representation may have on existing client relationships.

The opinions of the Federal Circuit panel in the case of *Molins PLC v. Textron, Inc.*ⁿ⁸⁴ provide patent practitioners with one more reason to be wary of potential subject matter conflicts of interest. Molins' patent attorney, Smith, simultaneously represented Molins and Lemelson in patent prosecution matters. ⁿ⁸⁵ Textron asserted that Smith's failure to disclose one of Lemelson's patent applications to the U.S. Patent and Trademark Office ("PTO") during his prosecution of the Molins patent application at issue constituted inequitable conduct. ⁿ⁸⁶ Both applications related to machine tools. ⁿ⁸⁷

The court resolved the inequitable conduct charge in Molins' favor on the ground that the Lemelson application was cumulative to art made of record during the Molins prosecution. ⁿ⁸⁸ However, the three judges on the Molins panel each took a different view regarding the propriety of the attorney's nondisclosure of the Lemelson application. The late Judge Nies, who would have affirmed the district court's holding that the failure to disclose the Lemelson application constituted inequitable conduct, was unequivocal in her statement that the simultaneous representation created an incurable conflict of interest: "Smith's representation of clients with conflicting interests provides no justification for deceiving the PTO. Ethics required him to withdraw." ⁿ⁸⁹ Judge Lourie refused to opine as to whether the situation rose to the level of an

[*286] actual conflict, but he none theless expressed concern regarding the simultaneous representation of clients in related technology areas:

The position in which Smith placed himself was fraught with possible conflict of interest because Smith'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. n90

Judge Newman also refused to consider whether the attorney had a conflict of interest, but she left no doubt as to her view that the attorney's duty of candor to the PTO could never extend to confidential information obtained from another client, including that client's "confidential patent application." n91 For Judge Newman, an attorney's ethical obligation to maintain client confidences is superior to the obligations of candor set forth in the Manual of Patent Examining Procedure ("MPEP"). n92

The Molins case shows that the apparent conflict between an attorney's obligations to his client and his duty of candor to the PTO is unresolved - at least for some Federal Circuit judges. Attorneys who put themselves in the position of Molins' attorney are taking a significant risk that a court will, in a given case, determine that a conflict of interest existed. For the attorney involved in such a conflict, there is no satisfactory resolution. If the court concludes that the duty of candor was not met, the patent may be held unenforceable, and the attorney could face potential disciplinary action by the PTO Office of Enrollment and Discipline ("OED"). n93 If, on the other hand, the court decides that the attorney breached a client confidence by disclosing one client's confidential information in the pursuit of another client's patent, the attorney risks facing disciplinary action by the responsible bar authorities. Therefore, self-preservation, as well as the cultivation of client relationships, counsel against representing multiple clients in closely related technology areas.

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IV. Minimizing Conflicts of Interest in Intellectual Property Representation

Constant vigilance in the prevention, detection, and resolution of conflicts of interest is the responsibility of all legal professionals. For intellectual property attorneys, the need to diligently police potential conflicts may be greater than ever before, given the generally high demand for skilled intellectual property practitioners, and the associated increase in lateral attorney transfers and practice acquisitions. Intellectual property attorneys can lessen the potential for conflicts of interest and their consequences by following some basic precautions.

1. Know the applicable ethical rules. The controlling ethical rules vary from state to state, and even, potentially, between adjacent federal judicial districts. Although the fundamental principles are essentially the same, particular procedures may govern specific situations, such as withdrawal from representation.

2. Raise consciousness. Foster compliance with recommendation number one by implementing periodic programs to educate attorneys and paralegal professionals regarding general conflicts of law principles and firm-specific procedures for avoiding and dealing with conflicts.

3. Review and update conflicts-checking procedures and software. Established procedures may not adequately detect potential conflicts resulting from the acquisition of the business of lateral hires. Supplemental procedures may be necessary to avoid potential subject matter conflicts of interest, as discussed below.

4. Exercise control over the inception of the attorney-client relationship. Explain the conflicts-checking process to potential clients to avoid creating a premature impression that an attorney-client relationship has begun. Be explicit about whether an attorney-client relationship has been created. Obviously, in the context of a disqualification motion, a court will make its own determination regarding if and when an attorney-client relationship was instituted. But these precautions will likely influence the court's determination. n94

5. Always send letters of engagement. An engagement letter serves to memorialize the beginning of an attorney-client relationship, at least from the attorney's perspective. It should identify the client(s) whose representation is being undertaken, the services to be per-

[*288] formed (as well as any services the attorney or firm has declined to perform), and the billing rate, fixed fee, or other payment arrangement(s) for the engagement, specifying which arrangement will apply to which service(s) and how past due accounts will be handled. If the new client has consented to any waivable conflicts of interest, or has agreed to the attorney's hiring of co-counsel (and the corresponding disclosure of client confidences to the co-counsel), such consents should be recited in the engagement letter. The client should be asked to sign and return a copy of the letter of engagement.

6. Send letters of nonengagement. Existing client conflicts are generally more problematic than former client conflicts, in that a party seeking to disqualify an attorney or firm based on concurrent representation of adverse clients need not establish that a substantial relationship exists between the clients' matters. A "nonengagement" letter helps to establish when an attorney-client relationship ended. Consideration should also be given to sending a nonengagement letter whenever an attorney declines to represent a prospective client, and when a prospective client does not formally engage an attorney after an initial consultation, especially where the attorney suspects that the prospective client has made the initial contact with a view toward disqualifying the attorney from representing the prospective client's adversary in anticipated litigation.

7. Avoid "subject matter" conflicts of interest. When a prospective representation is likely to involve the client's disclosure of proprietary business or technology information to the attorney, the attorney or firm should take steps beyond the traditional client conflicts checking procedures to avoid concurrent representation, at least by the same attorney, of clients whose interests are potentially adverse as a result of their involvement in closely related technology areas. Obviously, there is no easy way to decide, for example, how related is too related, or to otherwise predict which clients are someday likely to be adverse to which prospective clients. But a mechanism should be established for soliciting the input of attorneys actively engaged in representing existing clients in technology areas related to the business of prospective clients regarding whether the proposed representation is advisable. E-mail provides a convenient means for alerting the appropriate attorneys, and for documenting that appropriate inquiries were made.

8. Implement appropriate screening procedures promptly. Such procedures include excluding the "tainted" attorney from participating in the potentially conflicting matter, instructing all other attorneys, patent agents, paralegals and administrative staff not to discuss

[*289] the matter with the excluded attorney (or in his presence), preventing his access to documents and other materials relating to the matter, n95 and segregating fees derived from the matter, so that he does not receive any portion of those fees. n96 Also, where the potential conflict arises from the hiring of the tainted attorney, implement the procedures before he or she joins the new firm or law department. Regardless of how sophisticated and well-implemented the screening procedures, failure to have them in place before client confidences can be disclosed may constitute an ethical violation. n97

9. In the event of a conflict, promptly take remedial action. When a conflict develops, it is essential that the proper steps be taken to resolve the conflict appropriately. It may be possible to discharge the conflict by obtaining the affected client's consent. But "consent" means informed consent; all potential adverse consequences must be disclosed. If the conflict is irremediable, the applicable withdrawal procedures, including obtaining leave of court when required, must be carefully observed. n98 Failure to comply with those procedures may subject the attorney to disciplinary action.

n1 Because this discussion is intended to provide guidance to intellectual property practitioners, it focuses on the federal courts' treatment of conflicts issues in intellectual property cases.

n2 See, e.g., *Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 616 F. Supp. 516, 519 (W.D. Mo. 1985); *SMI Indus. Can. Ltd. v. Caelter Indus., Inc.*, 586 F. Supp. 808, 813-14, 223 U.S.P.Q. (BNA) 742, 745 (N.D.N.Y. 1984).

n3 See, e.g., *Poly Software Int'l, Inc. v. Su*, 880 F. Supp. 1487, 1489 (D. Utah 1995) (citing *Cole v. Ruidoso Mun. Sch.*, 43 F.3d 1373, 1383 (10th Cir. 1994)); *Brooks v. Bates*, No. 89 Civ. 4478, 1994 WL 121851, at *2 (S.D.N.Y. Apr. 7, 1994) (citing *Fund of Funds Ltd. v. Arthur Anderson & Co.*, 567 F.2d 225 (2d Cir. 1977)).

n4 See, e.g., *Hyman Cos. v. Brozost*, 964 F. Supp. 168, 169, 42 U.S.P.Q.2d (BNA) 1694, 1695 (E.D. Pa. 1997) (former client sought to enjoin its former General Counsel from working for its competitor on the ground that the employment would lead to disclosure of trade secrets and privileged material); *Quark, Inc. v. Power Up Software Corp.*, 812 F. Supp. 178, 180 (D. Colo. 1992) (plaintiff sought to prevent disqualified law firm from turning over its work-product to successor counsel and from working "behind the scenes" on the litigation at issue).

n5 *Original Appalachian Artworks, Inc. v. May Dep't Stores Co.*, 640 F. Supp. 751, 753 (N.D. Ill. 1986).

n6 The federal judiciary's rules committee has recently proposed eliminating, as to certain types of ethical violations, the current patchwork of nearly 100 different sets of local rules on the subject. *Attorneys-Ethics: Federal Judges Weigh Proposal to Issue Uniform Ethics Rules*, 66 U.S.L.W. 2549 (March 17, 1998). In January 1998, the Standing Committee on Rules of Practice and Procedure of the U.S. Judicial Conference voted to

ask its advisory committees to review a package of ten proposed rules which would standardize the regulation of attorney conduct in the federal courts in areas including confidentiality, candor toward the tribunal, the lawyer as a witness, and conflicts of interest. *Id.* The proposed rules, which could become part of the Federal Rules of Civil Procedure or be adopted as "a new free-standing set of federal rules," follow closely the substance of the corresponding ABA Model Rules of Professional Conduct. *Id.* It is important to recognize, however, that the committee's action is only the first step in the long and involved process by which federal rules are adopted. *Id.*

n7 See, e.g., *Parkland Corp. v. Maxximum Co.*, 920 F. Supp. 1088, 1090-91 (*D. Idaho* 1996) ("[i]t is clear that '[i]n deciding whether to disqualify counsel, the Court looks to the local rules regulating the conduct of the members of its bar'" (quoting *Amgen v. Elanex Pharm., Inc.*, 160 F.R.D. 134, 139 (*W.D. Wash.* 1994)); *Poly Software*, 880 F. Supp. at 1490. Some federal judicial districts have promulgated local rules adopting state bar ethics rules. See, e.g., *Sun Studs, Inc. v. Applied Theory Assocs., Inc.*, 772 F.2d 1557, 1566, 227 U.S.P.Q. (BNA) 81, 87 (*Fed. Cir.* 1985) (applying Ninth Circuit law, which in turn applies the standards of the relevant district court governing the conduct of its bar, and noting that a District of Oregon local rule adopts Oregon State Bar standards). The Second Circuit looks to the ABA Code of Professional Responsibility in deciding disqualification motions. *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 836 F.2d 1332, 1336, 5 U.S.P.Q.2d (BNA) 1424, 1427 (*Fed. Cir.* 1988); *Fisons Corp. v. Atochem N. Am., Inc.*, No. 90 Civ. 1080, 1990 WL 180551, at *2 n.3 (S.D.N.Y. Nov. 14, 1990).

n8 *Cole*, 43 F.3d at 1383 (quoting *In re Dresser Indus., Inc.*, 972 F.2d 540, 543 (5th Cir. 1992)). The ethical rules and legal standards discussed in this article are based on the cases discussed herein. No attempt has been made to provide a comprehensive review of the specific ethical rules and legal standards applicable to conflicts of interest situations in all jurisdictions. The reader is advised to consult specific controlling authorities in particular jurisdictions, as appropriate.

n9 *Atasi Corp. v. Seagate Tech.*, 847 F.2d 826, 831, 6 U.S.P.Q.2d (BNA) 1955, 1956 (*Fed. Cir.* 1988); *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75, 223 U.S.P.Q. (BNA) 465, 471 (*Fed. Cir.* 1984), overruled on other grounds by *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424, 432 (1985).

n10 *Atasi*, 847 F.2d at 829, 6 U.S.P.Q.2d at 1956; *Panduit*, 744 F.2d at 1575, 223 U.S.P.Q. at 471.

n11 *Equal Employment Opportunity Comm'n v. Orson H. Gygi Co.*, 749 F.2d 620, 621 (10th Cir. 1984) (abuse of discretion standard applies unless the question of disqualification is purely a legal issue); *D.H. Overmyer Co. v. Robson*, 750 F.2d 31, 34 (6th Cir. 1984) (upholding decision not to admit attorney pro hac vice based on attorney's conflict of interest under abuse of discretion standard); *United States v. Gopman*, 531 F.2d 262, 266 (5th Cir. 1976) (applying abuse of discretion standard when reviewing a disqualification order).

n12 *Paul E. Iacono Str. Eng'r, Inc. v. Humphrey*, 722 F.2d 435, 438 (9th Cir. 1983) (quoting *Gas-A-Tron of Ariz. v. Union Oil Co.*, 534 F.2d 1322, 1325 (9th Cir. 1976)).

n13 William H. Fortune et al., *Modern Litigation and Professional Responsibility Handbook: The Limits of Zealous Advocacy* 88-89 (1996).

n14 See, e.g., *Cinema 5, Ltd. v. Cinerama, Inc.*, 528 F.2d 1384, 1386 (2d Cir. 1976) (holding that where an attorney sues an existing client the propriety of the conduct "must be measured . . . against the duty of undivided loyalty which an attorney owes to each of his clients"); *Fisons Corp. v. Atochem N. Am., Inc.*, No. 90 Civ. 1080, 1990 WL 180551, at *3 (S.D.N.Y. Nov. 14, 1990) (noting that the danger in a situation when an attorney concurrently represents two clients having adverse interests is that "the dual representation undermines the attorney's vigor in pursuing the interests of one of his current clients").

n15 See, e.g., *SMI Indus. Can. Ltd. v. Caelter Indus., Inc.*, 586 F. Supp. 808, 814, 223 U.S.P.Q. (BNA) 742, 745 (N.D.N.Y. 1984).

n16 See, e.g., *SMI Indus.*, 586 F. Supp. at 814, 223 U.S.P.Q. at 745. A party's delay in bringing a disqualification motion is also a potentially relevant consideration. *Buckley v. Airshield Corp.*, 908 F. Supp. 299, 307 (D. Md. 1995).

n17 See, e.g., *Picker Int'l, Inc. v. Varian Assocs., Inc.*, 869 F.2d 578, 581, 10 U.S.P.Q.2d (BNA) 1122, 1125 (Fed. Cir. 1989) (applying Sixth and Tenth Circuit law); *Fisons*, 1990 WL 180551, at *3; *Gould, Inc. v. Mitsui Mining & Smelting Co.*, 738 F. Supp. 1121, 1124 (N.D. Ohio 1990); *Vegetable Kingdom, Inc. v. Katzen*, 653 F. Supp. 917, 922 (N.D.N.Y. 1987); *Ransburg Corp. v. Champion Spark Plug Co.*, 648 F. Supp. 1040, 1043 (N.D. Ill. 1986); *Pennwalt Corp. v. Plough, Inc.*, 85 F.R.D. 264, 271, 208 U.S.P.Q. (BNA) 561, 572 (D. Del. 1980).

n18 "A lawyer should exercise independent professional judgment on behalf of client." Model Code of Professional Responsibility Canon 5 (1980).

n19 Relevant Ethical Considerations ("EC") include: EC 5-1: The professional judgment of a lawyer should be exercised, within the bounds of the law, solely for the benefit of his client and free of compromising influences and loyalties. Neither his personal interests, the interests of other clients, nor the desires of third persons should be permitted to dilute his loyalty to his client. EC 5-15: If a lawyer is requested to undertake or to continue representation of multiple clients having potentially differing interests, he must weigh carefully the possibility that his judgment may be impaired or his loyalty divided if he accepts or continues the employment. He should resolve all doubts against the propriety of the representation. A lawyer should never represent in litigation multiple clients with differing interests; and there are few situations in which he would be justified in representing in litigation multiple clients with potentially differing interests. EC 5-16: In those instances in which a lawyer is justified in representing two or more clients having differing interests, it is nevertheless essential that each client be given the opportunity to evaluate his need for representation free of any potential conflict and to obtain other counsel if he so desires. Thus, before a lawyer may represent multiple clients, he should explain fully to each client the implications of the common representation and should accept or continue employment only if the clients consent. If there are present other circumstances that might cause any of the multiple clients to question the undivided loyalty of the lawyer, he should also advise all of the clients of

those circumstances. Model Code of Professional Responsibility EC 5-1, 5-15, 5-16 (1980).

n20 Relevant Disciplinary Rules ("DR") include: DR 5-105(A): A lawyer shall decline proffered employment if the exercise of his independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve him in representing differing interests, except to the extent permitted under DR 5-105(C). DR 5-105(B): A lawyer shall not continue multiple employment if the exercise of his independent professional judgment in behalf of a client will be or is likely to be adversely affected by his representation of another client, or if it would be likely to involve him in representing differing interests, except to the extent permitted under DR 5-105(C). DR 5-105(C): In the situations covered by DR 5-105(A) and (B), a lawyer may represent multiple clients if it is obvious that he can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of his independent professional judgment on behalf of each. Model Code of Professional Responsibility DR 5-105 (1980).

n21 See, e.g., *Walker v. Sweet Cravings, Inc.*, No. 89- CV-73084-DT, 1990 WL 300284, at *1 (E.D. Mich. Sept. 6, 1990).

n22 See, e.g., *Michael Scott Fashions v. Target Stores*, No. CV-93-3865, 1995 WL 62713, at * 1 (E.D.N.Y. Feb. 9, 1995).

n23 See, e.g., *Gould, Inc. v. Mitsui Mining & Smelting Co.*, 738 F. Supp. 1121, 1127 (N.D. Ohio 1990) (conflict created by client's litigation opponent's acquisition of other client); *Fisons Corp. v. Atochem N. Am., Inc.*, No. 90 Civ. 1080, 1990 WL 180551, at * 1-2 (S.D.N.Y. Nov. 14, 1990) (conflict created when Fisons purchased the pharmaceutical group of existing client Pennwalt, requested concurrent, non-adverse representation of Fisons and Pennwalt, and consented to continuing representation of Pennwalt should Pennwalt and Fisons become adverse); *Pennwalt Corp. v. Plough, Inc.*, 85 F.R.D. 264, 266, 208 U.S.P.Q. (BNA) 561, 568 (D. Del. 1980) (concurrent representation resulted from Schering-Plough's acquisition of Scholl, which thus became a "sister corporation" of Plough and which was adverse to existing client Pennwalt).

n24 See, e.g., *Picker Int'l, Inc. v. Varian Assocs., Inc.*, 869 F.2d 578, 579-80, 10 U.S.P.Q.2d (BNA) 1122, 1124 (Fed. Cir. 1989) (merger of Jones, Day, Reavis & Pogue ("Jones Day") (counsel for Picker) and McDougall, Hersh & Scott (counsel for Varian) resulted in disqualification motion against Jones Day); *Ransburg Corp. v. Champion Spark Plug Co.*, 648 F. Supp. 1040, 1042 (N.D. Ill. 1986) (client acquired through hiring of lateral "of counsel" for new office was sued on behalf of previously existing client). The Federal Circuit has recognized that conflicts of interest may increase as mergers between law firms become more common. *Picker*, 869 F.2d at 583, 10 U.S.P.Q.2d at 1127.

n25 *Picker*, 869 F.2d at 581, 10 U.S.P.Q.2d at 1125.

n26 Model Code of Professional Responsibility DR 5- 105(C) (1980). A similar analysis is applied when concurrent representation situations are evaluated against ethical rules patterned after the ABA Model Rules of Professional Conduct. See, e.g., *Walker*,

1990 WL 300284, at *2. For example, Michigan Rule of Professional Conduct 1.7, adopted by Local Rule A-4(b) of the United States District Court for the Eastern District of Michigan, provides: (a) A lawyer shall not represent a client if the representation of that client will be directly adverse to another client, unless: (1) the lawyer reasonably believes the representation will not adversely affect the relationship with the other client; and (2) each client consents after consultation. Michigan Rules of Professional Conduct Rule 1.7 (1989).

n27 *Picker*, 869 F.2d at 582, 10 U.S.P.Q.2d at 1125-26 (client's refusal to consent); *Fisons*, 1990 WL 180551, at *6 (application of adequate representation prong).

n28 *Picker*, 869 F.2d at 582, 10 U.S.P.Q.2d at 1125.

n29 *Id.* at 582-83, 10 U.S.P.Q.2d at 1125-26.

n30 *Fisons*, 1990 WL 180551, at *6 (quoting *Unified Sewerage Agency v. Jelco, Inc.*, 646 F.2d 1339, 1350 (9th Cir. 1981)).

n31 *Id.* at * 7.

n32 *Id.*

n33 Model Code of Professional Responsibility DR 5- 105(C) (1980); *Fisons*, 1990 WL 180551, at *4.

n34 *Fisons*, 1990 WL 180551, at *6.

n35 *Id.* (quoting *Unified Sewerage*, 646 F.2d at 1350).

n36 *Id.* at * 5-6.

n37 *Picker Int'l, Inc. v. Varian Assocs., Inc.*, 869 F.2d 578, 584, 10 U.S.P.Q.2d (BNA) 1122, 1127 (Fed. Cir. 1989) (characterizing a spurned client's agreement to continued representation by members of merging firm "in their individual capacities" as a "necessary evil as long as the merged firm was refusing to acknowledge [it] as a client").

n38 *Pennwalt Corp. v. Plough, Inc.*, 85 F.R.D. 264, 272, 208 U.S.P.Q. (BNA) 561, 573 (D. Del. 1980).

n39 738 F. Supp. 1121, 1127 (N.D. Ohio 1990).

n40 *Id.* at 1122.

n41 *Id.*

n42 *Id.* at 1123. In its letter to Pechiney, Jones Day described the implementation of procedures, referred to by the court as "chinese-wall procedures," designed to insure that Pechiney's confidences would be protected. *Id.* The use of such procedures in conflicts situations is discussed *infra* Part III.B.1.

n43 *Id.*

n44 The court rejected Pechiney's attempt to withdraw its own prior consent, even though Jones Day had requested permission to continue serving as Gould's local counsel and had since become Gould's sole counsel. *Id.* at 1125. According to the court, there is no meaningful distinction between "local counsel" and lead counsel, in that "all counsel signing pleadings and appearing in a case are fully accountable to the court and their

clients for the presentation of the case." *Id.* While the court's decision to treat local counsel as the equivalent of lead counsel in this case benefited Jones Day, it should also be apparent that attempts to avoid the application of DR-105 or other relevant ethical rules by arguing that "local counsel clients" should not be regarded as clients for conflicts purposes are unlikely to succeed.

n45 *Id.* at 1127. The court did, however, state that it had notified disciplinary counsel to the Supreme Court of Ohio of the "ethical violation" by Jones Day. *Id.*

n46 See, e.g., *Vegetable Kingdom, Inc. v. Katzen*, 653 F. Supp. 917, 921 (N.D.N.Y. 1987).

n47 *Id.* (citing *Richmond Hilton Assocs. v. City of Richmond*, 690 F.2d 1086, 1089 (4th Cir. 1982); *Board of Educ. v. Nyquist*, 590 F.2d 1241, 1246 (2d Cir. 1979)).

n48 See, e.g., *Smith v. Whatcott*, 757 F.2d 1098, 1099-1100 (10th Cir. 1985); *Evans v. Artek Sys. Corp.*, 715 F.2d 788, 791-92 (2d Cir. 1983). One court has found that "[s]uch motions are often designed to harass opposing counsel, cause delay, or needlessly increase the cost of pursuing a cause of action," *Vegetable Kingdom*, 653 F. Supp. at 925, and on that basis later imposed sanctions under 28 U.S.C. 1927 (1994) against parties whose disqualification motion was brought "purely to harass their opponent," *id.* at 927. The Second Circuit's general aversion to disqualification motions has been manifested by a decreased reliance on Model Code Canon 9 as a basis for disqualification motions. Canon 9 states that "[a] lawyer should avoid even the appearance of professional impropriety." Model Code of Professional Responsibility Canon 9 (1980). In the Second Circuit, "disqualification under Canon 9 will generally not be granted in a situation in which neither Canon 4 nor Canon 5 is implicated." *Planning & Control, Inc. v. MTS Group, Inc.*, No. 91 Civ. 2763 (WCC), 1992 WL 51569, at *4 (S.D.N.Y. Mar. 11, 1992). The rationale is that "[i]f the only 'appearance of impropriety' is a violation of Canon 4 that has already been found devoid of substance, it would be downright perverse to hold that what has been held not to exist nonetheless 'appears.'" *Id.* (quoting *Bennett Silvershein Assocs. v. Furman*, 776 F. Supp. 800, 806 (S.D.N.Y. 1991)). However, other jurisdictions continue to regard a Canon 9 violation as an independent basis for disqualification. See, e.g., *Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 616 F. Supp. 516, 521 (W.D. Mo. 1985). The "appearance of impropriety" standard has been abandoned in the more recent Model Rules. Fortune, *supra* note 13, at 86. In addition, the Second Circuit has expressed its preference for allowing state and federal bar disciplinary authorities to assume responsibility for remedying ethical violations. *Nyquist*, 590 F.2d at 1248 (Mansfield, J., concurring) ("Only where the attorney's unprofessional conduct may affect the outcome of the case is there any necessity to nip it in the bud. Otherwise conventional disciplinary machinery should be used and, if this is inadequate, the organized bar must assume the burden of making it effective as a deterrent.").

n49 See, e.g., *Michael Scott Fashions v. Target Stores*, No. CV-93-3865, 1995 WL 62713, at *2 (E.D.N.Y. Feb. 9, 1995) (attorney and his firm "inadvertently undertook the representation of [their client's opponent's parent company] for a brief period of time in a wholly unrelated matter" and there was no evidence that they were privy to any confidential information about the parent that would unfairly advantage their client); *Walker v. Sweet Cravings, Inc.*, No. 89- CV-73084-DT, 1990 WL 300284, at *4 (E.D.

Mich. Sept. 6, 1990) (denying disqualification motion where there was no showing of prejudice and no disclosure of confidential information, and the work done for the moving client's affiliate was limited in scope (three hours spent on a trademark search and registration for a trademark unrelated to the trademark in dispute)).

n50 *Pennwalt Corp. v. Plough, Inc.*, 85 F.R.D. 264, 268, 208 U.S.P.Q. (BNA) 561, 570 (D. Del. 1980) (citing *Fund of Funds, Ltd. v. Arthur Anderson & Co.*, 567 F.2d 225, 236 (2d Cir. 1977); *Whiting Corp. v. White Mach. Corp.*, 567 F.2d 713, 716 (7th Cir. 1977); *Wilson P. Abraham Constr. Corp. v. Armco Steel Corp.*, 559 F.2d 250, 253 (5th Cir. 1977)); but see *Fred Weber, Inc., v. Shell Oil Co.*, 566 F.2d 602, 607 (8th Cir. 1977).

n51 See, e.g., *Plant Genetic Sys. N.V. v. Ciba Seeds & Mycogen Plant Science, Inc.*, 933 F. Supp. 514, 517 (M.D.N.C. 1996) (corporate client's assignment of patent application to its unincorporated division does not establish an attorney-client relationship between the law firm prosecuting the application and the division).

n52 *Hyman Cos. v. Brozost*, 964 F. Supp. 168, 170, 42 U.S.P.Q.2d (BNA) 1694, 1695 (E.D. Pa. 1997).

n53 Canon 4 provides: "A lawyer should preserve the confidences and secrets of a client." Model Code of Professional Responsibility Canon 4 (1980).

n54 *Planning & Control, Inc. v. MTS Group, Inc.*, No. 91 Civ. 2763 (WCC), 1992 WL 51569, at *2 (S.D.N.Y. Mar. 11, 1992) (citing *Evans v. Artek Sys. Corp.*, 715 F.2d 788, 791 (2d Cir. 1983)).

n55 Model Rules of Professional Responsibility Rule 1.9 (1983).

n56 Courts generally require that a party bringing a disqualification motion establish the existence (or previous existence) of an attorney-client relationship with the lawyer or firm targeted for disqualification. See, e.g., *Religious Tech. Ctr. v. F.A.C.T.Net, Inc.*, 945 F. Supp. 1470, 1479 (D. Colo. 1996) (failure to establish the existence of an attorney-client relationship obviates consideration of the substantial relationship test). However, some courts have held that a party who was never a client of the lawyer or firm at issue has standing to bring a disqualification motion, based on the general public interest in insuring the integrity of the bar. See, e.g., *Kevlik v. Goldstein*, 724 F.2d 844, 847 (1st Cir. 1984); *United States v. Clarkson*, 567 F.2d 270, 271 n.1 (4th Cir. 1977). In *SMI Indus. Can. Ltd. v. Caelter Indus., Inc.*, the court explained its rationale for holding that a non-client had standing as follows: The court believes that the general rule which restricts standing to raise a Canon 4 disqualification motion to one or former client of the challenged law firm must give way to a maxim that adequately addresses the need to ensure both clients and the general public that lawyers will act within the bounds of ethical conduct. 586 F. Supp. 808, 815, 223 U.S.P.Q. (BNA) 742, 746 (N.D.N.Y. 1984).

n57 See, e.g., *Robert Woodhead, Inc. v. Datawatch Corp.*, 934 F. Supp. 181, 183 (E.D.N.C. 1995); *W.R. Grace & Co. v. GraceCare, Inc.*, 152 F.R.D. 61, 65 (D. Md. 1993) (citing *Stitz v. Bethlehem Steel Corp.*, 650 F. Supp. 914, 916 (D. Md. 1987)) ("[a] substantial relationship is presumed where there is 'a reasonable probability that confidences were disclosed' which could be used adversely later"). Consistent with this purpose, the Seventh Circuit has stated that a substantial relationship exists when "the lawyer could have obtained confidential information in the first representation that would

have been relevant in the second." *Analytica, Inc. v. NPD Research, Inc.*, 708 F.2d 1263, 1266 (7th Cir. 1983).

n58 *Original Appalachian Artworks, Inc. v. May Dep't Stores Co.*, 640 F. Supp. 751, 755 (N.D. Ill. 1986). A party seeking disqualification may decide to show affirmatively that confidences were actually conveyed, rather than relying solely on the substantial relationship test. See, e.g., *Islander E. Rental Program v. Ferguson*, 917 F. Supp. 504, 509 (S.D. Tex. 1996); *Decora Inc. v. DW Wallcovering, Inc.*, 901 F. Supp. 161, 163 (S.D.N.Y. 1995). In such a case, the movant may be permitted to present its evidence on this issue ex parte in camera. See, e.g., *Decora*, 901 F. Supp. at 164.

n59 See supra note 48.

n60 *Planning & Control, Inc. v. MTS Group, Inc.*, No. 91 Civ. 2763 (WCC), 1992 WL 51569, at *3 (S.D.N.Y. Mar. 11, 1992).

n61 *Id.* (citing *Government of India v. Cook Indus., Inc.*, 569 F.2d 737, 740 (2d Cir. 1978)).

n62 *Id.*

n63 *Id.*

n64 *Id.* at *4.

n65 *Smith v. Whatcott*, 757 F.2d 1098, 1100 (10th Cir. 1985).

n66 812 F. Supp. 178 (D. Colo. 1992).

n67 *Id.* at 180.

n68 The following are examples of application of the substantial relationship test in the intellectual property context. A patent infringement litigation concerning products and processes involving expanded polytetrafluoroethylene ("PTFE"), which included antitrust counterclaims, was held to be substantially related to a trade secret misappropriation lawsuit with antitrust counterclaims between the same parties, and relating to expanded, porous PTFE. *W.L. Gore & Assocs., Inc. v. International Med. Pros. Research Assocs., Inc.*, 745 F.2d 1463, 1466, 223 U.S.P.Q. (BNA) 884, 886 (Fed. Cir. 1984). A plaintiff's patent infringement action against defendant A was regarded as substantially related to the same plaintiff's subsequent patent infringement action against defendant B, even though the issues in the two were "different," because "the subject matter of both - the [same] patent - is identical." *Amgen, Inc. v. Elanex Pharm., Inc.*, 160 F.R.D. 134, 140, 32 U.S.P.Q.2d (BNA) 1688, 1693 (W.D. Wash. 1994). A patentee's action against its licensee for breach of the license agreement and patent infringement was found to be substantially related to the licensee's prior action to enforce the same patent against a third party. *Buckley v. Airshield Corp.*, 908 F. Supp. 299, 305 (D. Md. 1995). An action involving a claim that the defendant's anti-virus software infringed the copyright in the plaintiff's software, which the defendant was previously licensed to use, was held to be substantially related to a law firm's prior representation of software developers who developed the accused software, where the prior representation related to the developers' desire to form their own software company, and their concern was that their proposed venture might violate their confidentiality agreements with the defendant. *Robert Woodhead, Inc. v. Datawatch Corp.*, 934 F. Supp. 181, 184 (E.D.N.C. 1995).

However, an action alleging misappropriation of confidential information relating to the plaintiff's "Flatpak" encapsulated control lines product, and also alleging unfair competition, tortious interference, and breach of employment agreements, was held to be not substantially related to prior legal representation which included the procurement of patents covering an earlier, different "Flexpak" version of the plaintiff's product, trade secret counseling concerning the earlier product, and the registration of the "Flatpak" and "Flexpak" trademarks. *Hydril Co. v. Multiflex, Inc.*, 553 F. Supp. 552, 557 (S.D. Tex. 1982).

n69 See, e.g., *Poly Software Int'l, Inc. v. Su*, 880 F. Supp. 1487, 1490 (D. Utah 1995).

n70 See, e.g., *Atasi Corp. v. Seagate Tech.*, 847 F.2d 826, 829, 6 U.S.P.Q.2d (BNA) 1955, 1956 (Fed. Cir. 1988) (applying Ninth Circuit law); *Cobb Publ'g, Inc. v. Hearst Corp.*, 907 F. Supp. 1038, 1052 (E.D. Mich. 1995).

n71 *Cobb Publ'g*, 907 F. Supp. at 1045.

n72 *Id.* The screen effectuated through such procedures is commonly referred to as an "ethical wall" or "Chinese wall." See, e.g., *Hilleby v. FMC Corp.*, 25 U.S.P.Q.2d (BNA) 1413, 1415 (N.D. Cal. 1992); *Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 616 F. Supp. 516, 521 (W.D. Mo. 1985). A related concept is the "cone of silence," in which the transferring attorney, but not the other members of the firm, agrees not to share the confidences of prior clients with his or her new colleagues. *Atasi Corp.*, 847 F.2d at 831, 6 U.S.P.Q.2d at 1958.

n73 *Quark, Inc. v. Power Up Software Corp.*, 812 F. Supp. 178, 180 (D. Colo. 1992).

n74 *Cobb Publ'g*, 907 F. Supp. at 1045.

n75 *Id.* at 1049.

n76 *Sun Studs, Inc. v. Applied Theory Assocs., Inc.*, 772 F.2d 1557, 1567, 227 U.S.P.Q. (BNA) 81, 88 (Fed. Cir. 1985) ("any attack on the patent is totally contrary to" the prosecution work done for the former client); accord *Monon Corp. v. Wabash Nat'l Corp.*, 764 F. Supp. 1320, 1323 (N.D. Ind. 1991) ("Whether the confidential information that [the former client] allegedly shared with [the law firm] is relevant to the issues raised in this litigation against it is a simple determination in this case, given that the subject matter is the very same patent."). It may be more difficult to establish the existence of a conflict where the prior work was limited to copyright registration, which has been characterized as a "perfunctory task" in a disqualification context. *Original Appalachian Artworks, Inc. v. May Dep't Stores Co.*, 640 F. Supp. 751, 755 (N.D. Ill. 1986); see also *Junior Gallery, Ltd. v. Foreign Resources Corp.*, Nos. 94 Civ. 2917 (JSM) & 74002, 1994 WL 669556, at *3 (S.D.N.Y. Nov. 30, 1994) (law firm characterized its prior counseling regarding copyright registration as "routine" and "ministerial").

n77 *Pain Prevention Lab, Inc. v. Electronic Waveform Labs, Inc.*, 657 F. Supp. 1486, 1497 (N.D. Ill. 1987). The court explained that "[c]ommunicating technical information to an attorney primarily to enable the attorney to prepare a patent application does not in itself call for the attorney to render any legal advice." *Id.* This case is reminiscent of the cases, now largely discredited, limiting attorney-client privilege claims on the ground that a patent attorney functions as a conduit for conveying technical information to the PTO. Compare *Jack Winter, Inc. v. Koratron Co.*, 50 F.R.D. 225, 228, 166 U.S.P.Q. (BNA)

295, 298 (N.D. Cal. 1970), with *Advanced Cardiovascular Sys., Inc. v. C.R. Bard, Inc.*, 144 F.R.D. 372, 374, 25 U.S.P.Q.2d (BNA) 1354, 1355 (N.D. Cal. 1992).

n78 *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 836 F.2d 1332, 1338, 5 U.S.P.Q.2d (BNA) 1424, 1429 (Fed. Cir. 1988); *SMI Indus. Can. Ltd. v. Caelter Indus., Inc.*, 586 F. Supp. 808, 818, 223 U.S.P.Q. (BNA) 742, 749 (N.D.N.Y. 1984).

n79 *Hilleby v. FMC Corp.*, 25 U.S.P.Q.2d (BNA) 1413, 1416 (N.D. Cal. 1992).

n80 *Telectronics*, 836 F.2d at 1337, 5 U.S.P.Q.2d at 1428; *Sun Studs*, 772 F.2d at 1569, 227 U.S.P.Q. at 90; *Comtech, Inc. v. Reuter*, No. 86- CV-0478, 1986 WL 6829, at *3 (E.D.N.Y. Mar. 18, 1986).

n81 Assuming that the employee-inventors have executed the customary agreement to assign their inventions to their employer, or the employer is the owner of the invention under the common law "hired to invent" doctrine.

n82 *Sun Studs*, 772 F.2d at 1569, 227 U.S.P.Q. at 90.

n83 *Comtech*, 1986 WL 6829, at *3.

n84 48 F.3d 1172, 33 U.S.P.Q.2d (BNA) 1823 (Fed. Cir. 1995).

n85 *Id.* at 1185, 33 U.S.P.Q.2d at 1832.

n86 *Id.*, 33 U.S.P.Q.2d at 1833.

n87 *Id.* at 1176, 1185, 33 U.S.P.Q.2d at 1825, 1832.

n88 *Id.* at 1185, 33 U.S.P.Q.2d at 1832.

n89 *Id.* at 1190, 33 U.S.P.Q.2d at 1836 (Nies, J., dissenting in part).

n90 *Id.* at 1185, 33 U.S.P.Q.2d at 1833.

n91 *Id.* at 1192, 33 U.S.P.Q.2d at 1839 (Newman, J., concurring).

n92 The MPEP requires an applicant to bring to the examiner's attention information regarding "copending United States [patent] applications which are material to patentability of the application in question." M.P.E.P. 2001.06(b).

n93 The OED has authority to discipline attorneys for misconduct in their capacity as patent attorneys. See, e.g., *In re Davis*, 264 N.W.2d 371 (Minn. 1978). The applicable ethical rules are the PTO Canons and Disciplinary Rules, patterned in large part after the ABA Model Code, and found in 37 C.F.R. pt. 10 (1998).

n94 See, e.g., *Poly Software Int'l, Inc. v. Su*, 880 F. Supp. 1487, 1491 (D. Utah 1995).

n95 While the widespread use of computer technology in law firms and law departments potentially enhances an organization's ability to efficiently disseminate screening instructions, the general access of computerized records within a networked organization may necessitate special precautions regarding the "walled off" attorney's potential access to restricted documents.

n96 See, e.g., *Cobb Publ'g, Inc. v. Hearst Corp.*, 907 F. Supp. 1038, 1052 (E.D. Mich. 1995). The Cobb case includes a detailed bar opinion regarding the implementation of screening procedures.

n97 *Id.* at 1047.

n98 See, e.g., *Picker Int'l, Inc. v. Varian Assocs., Inc.*, 869 F.2d 578, 582, 10 U.S.P.Q.2d (BNA) 1122, 1126 (Fed. Cir. 1989) (withdrawal could only be accomplished through mandatory withdrawal procedures specified by the district court's local rules; attempt to unilaterally withdraw by notifying the client that the representation was terminated was ineffective to accomplish withdrawal).