Toledo
Intellectual Property
Law Association
Presents

Conflicts in Patent Prosecution

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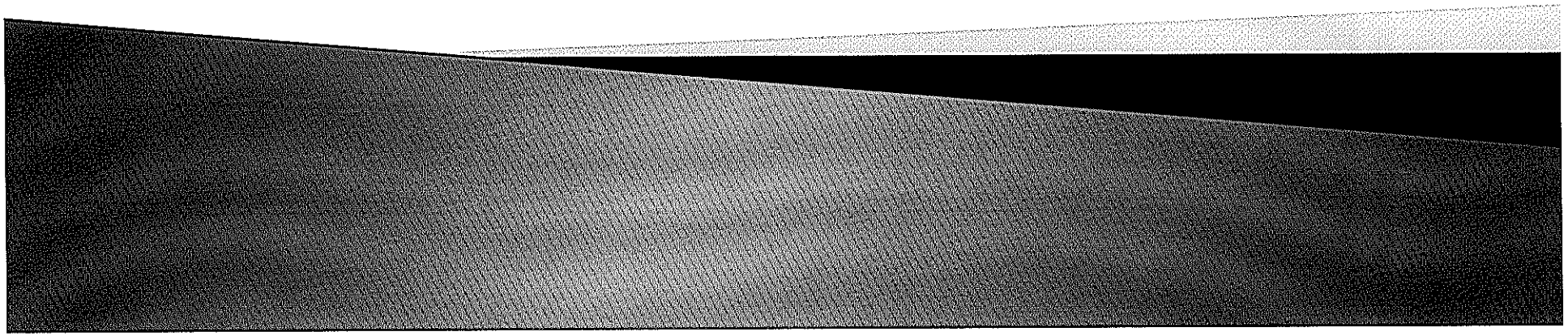
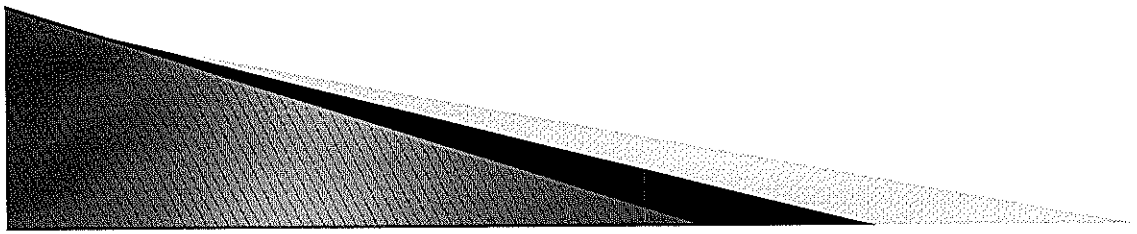


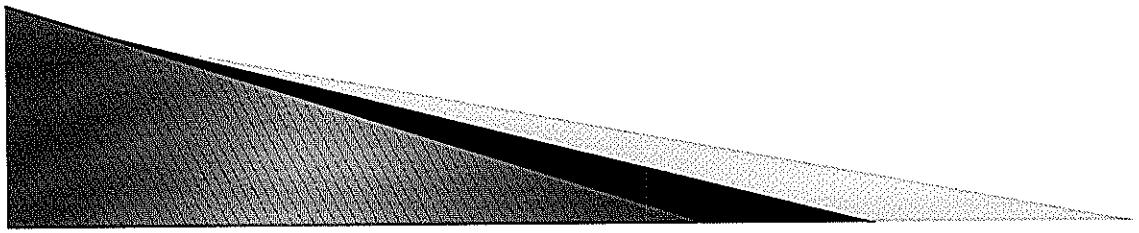
- "I'd Rather have my hand cut off than betray the interests of a client."

-Raymond Burr as television lawyer
Perry Mason



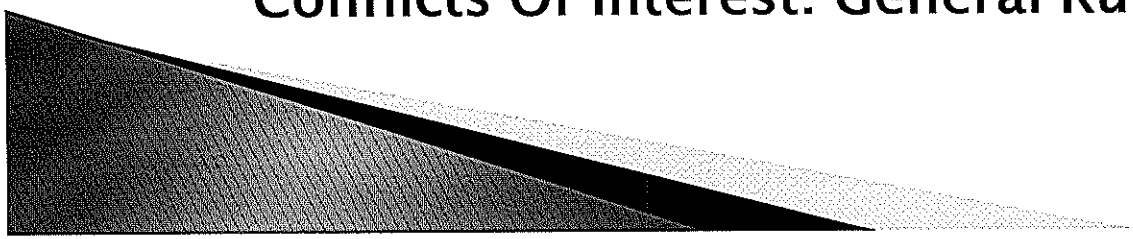
Key Questions

- Who is the client?
- What field of intellectual property?
- What is the subject matter?
- Has everyone been counseled in advance of the representation?



Governing Rules

- USPTO Rules
  - § 10.57 Preservation of confidences and secrets of a client.
  - § 10.66 Refusing to accept or continue employment if the interests of another client may impair the independent professional judgment of the practitioner.
  - § 10.84 Representing a client zealously.
- Model Rules of Prof. Conduct
  - Client-Lawyer Relationship: Rule 1.6 Confidentiality Of Information
  - Client-Lawyer Relationship: Rule 1.7 Conflict Of Interest: Current Clients
  - Client-Lawyer Relationship: Rule 1.10 Imputation Of Conflicts Of Interest: General Rule



Governing Rules

- **§ 10.57 Preservation of confidences and secrets of a client.**
- (a) "Confidence" refers to information protected by the attorney–client or agent–client privilege under applicable law. "Secret" refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client.
- (b) Except when permitted under paragraph (c) of this section, a practitioner shall not knowingly:

  (1) Reveal a confidence or secret of a client.

  (2) Use a confidence or secret of a client to the dis advantage of the client.

  (3) Use a confidence or secret of a client for the advantage of the practitioner or of a third person, unless the client consents after full disclosure.
- (c) A practitioner may reveal:

  (1) Confidences or secrets with the consent of the client affected but only after a full disclosure to the client.

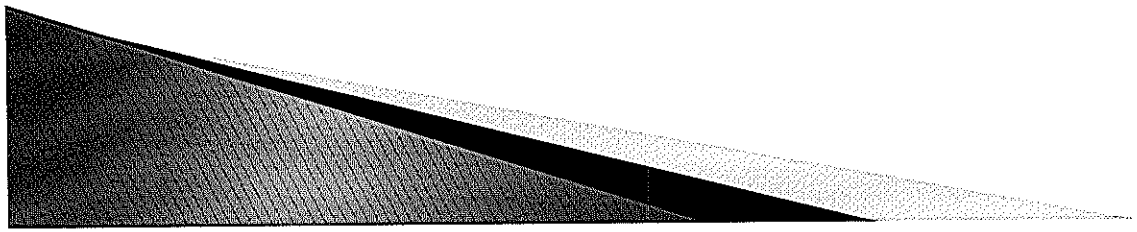
  (2) Confidences or secrets when permitted under Disciplinary Rules or required by law or court order.

  (3) The intention of a client to commit a crime and the information necessary to prevent the crime.

  (4) Confidences or secrets necessary to establish or collect the practitioner's fee or to defend the practitioner or the practitioner's employees or associates against an accusation of wrongful conduct.
- (d) A practitioner shall exercise reasonable care to prevent the practitioner's employees, associates, and others whose services are utilized by the practitioner from disclosing or using confidences or secrets of a client, except that a practitioner may reveal the information allowed by paragraph (c) of this section through an employee.

Governing Rules

- **§ 10.66 Refusing to accept or continue employment if the interests of another client may impair the independent professional judgment of the practitioner.**
- (a) A practitioner shall decline proffered employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.
- (b) A practitioner shall not continue multiple employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitioner's representation of another client, or if it would be likely to involve the practitioner in representing differing interests, except to the extent permitted under paragraph (c) of this section.
- (c) In the situations covered by paragraphs (a) and (b) of this section, a practitioner may represent multiple clients if it is obvious that the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each.
- (d) If a practitioner is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other practitioner affiliated with the practitioner or the practitioner's firm, may accept or continue such employment unless otherwise ordered by the Director or Commissioner.



Governing Rules

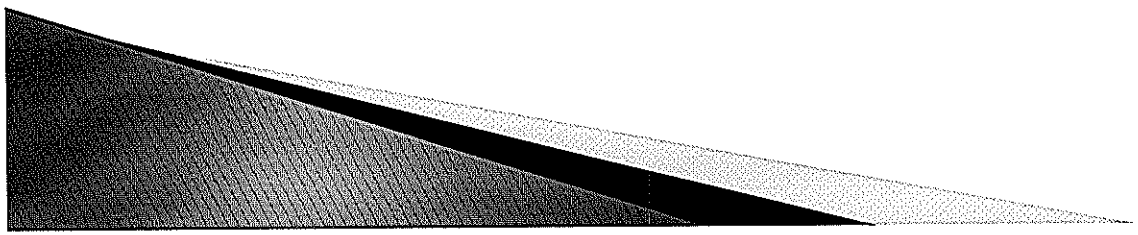
- **§ 10.84 Representing a client zealously. (See Ohio Rules of Prof. Conduct 1.2)**
- (a) A practitioner shall not intentionally:
- (1) Fail to seek the lawful objectives of a client through reasonable available means permitted by law and the Disciplinary Rules, except as provided by paragraph (b) of this section. A practitioner does not violate the provisions of this section, however, by acceding to reasonable requests of opposing counsel which do not prejudice the rights of the client, by being punctual in fulfilling all professional commitments, by avoiding offensive tactics, or by treating with courtesy and consideration all persons involved in the legal process.
- (2) Fail to carry out a contract of employment entered into with a client for professional services, but a practitioner may withdraw as permitted under §§ 10.40, 10.63, and 10.66.
- (3) Prejudice or damage a client during the course of a professional relationship, except as required under this part.
- (b) In representation of a client, a practitioner may:
- (1) Where permissible, exercise professional judgment to waive or fail to assert a right or position of the client.
- (2) Refuse to aid or participate in conduct that the practitioner believes to be unlawful, even though there is some support for an argument that the conduct is legal.

Governing Rules

- Model Rules of Professional Conduct
- *Client-Lawyer Relationship* Rule 1.6 Confidentiality Of Information
- (a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation or the disclosure is permitted by paragraph (b).
- (b) A lawyer may reveal information relating to the representation of a client to the extent the lawyer reasonably believes necessary:
- (1) to prevent reasonably certain death or substantial bodily harm;
- (2) to prevent the client from committing a crime or fraud that is reasonably certain to result in substantial injury to the financial interests or property of another and in furtherance of which the client has used or is using the lawyer's services;
- (3) to prevent, mitigate or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime or fraud in furtherance of which the client has used the lawyer's services;
- (4) to secure legal advice about the lawyer's compliance with these Rules;
- (5) to establish a claim or defense on behalf of the lawyer in a controversy between the lawyer and the client, to establish a defense to a criminal charge or civil claim against the lawyer based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the lawyer's representation of the client; or
- (6) to comply with other law or a court order.

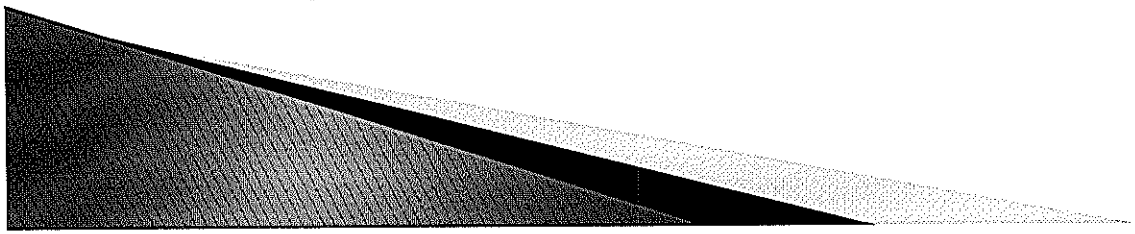
Governing Rules

- *Client-Lawyer Relationship*
  Rule 1.7 Conflict Of Interest: Current Clients
- (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
- (2) there is a 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:
- (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) each affected client gives informed consent, confirmed in writing.



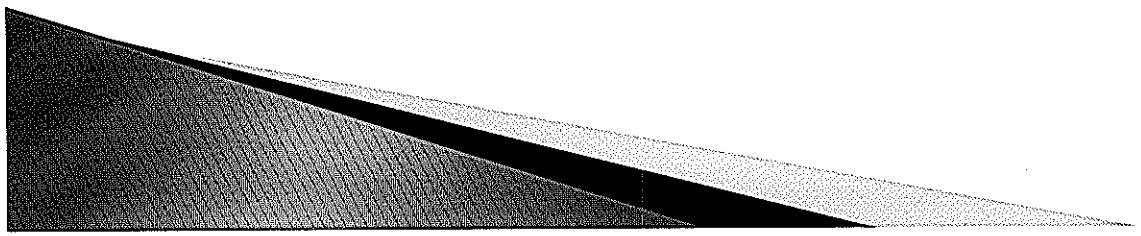
Governing Rules

- Model Rules of Professional Conduct
- *Client-Lawyer Relationship* Rule 1.10 Imputation Of Conflicts Of Interest: General Rule
- (a) 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 Rules 1.7 or 1.9, unless
- (1) the prohibition is based on a personal interest of the disqualified lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm; or
- (2) the prohibition is based upon Rule 1.9(a) or (b) and arises out of the disqualified lawyer's association with a prior firm, and
- (i) the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom;
- (ii) written notice is promptly given to any affected former client to enable the former client to ascertain compliance with the provisions of this Rule, which shall include a description of the screening procedures employed; a statement of the firm's and of the screened lawyer's compliance with these Rules; a statement that review may be available before a tribunal; and an agreement by the firm to respond promptly to any written inquiries or objections by the former client about the screening procedures; and
- (iii) certifications of compliance with these Rules and with the screening procedures are provided to the former client by the screened lawyer and by a partner of the firm, at reasonable intervals upon the former client's written request and upon termination of the screening procedures.



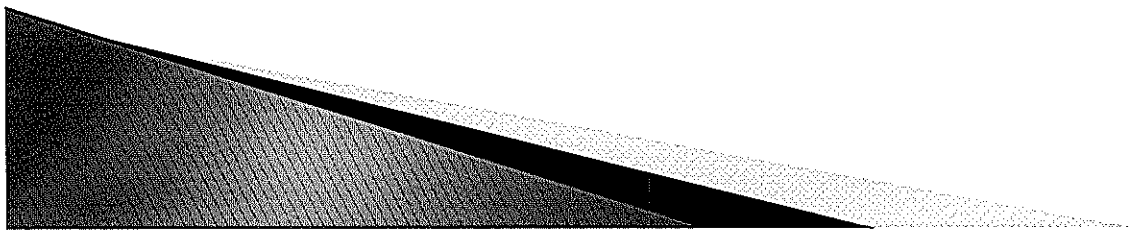
Governing Rules

- Model Rules of Professional Conduct
- *Client-Lawyer Relationship* Rule 1.10 Imputation Of Conflicts Of Interest: General Rule
- (b) When a lawyer has terminated an association with a firm, the firm is not prohibited from thereafter representing a person with interests materially adverse to those of a client represented by the formerly associated lawyer and not currently represented by the firm, unless:
- (1) the matter is the same or substantially related to that in which the formerly associated lawyer represented the client; and
- (2) any lawyer remaining in the firm has information protected by Rules 1.6 and 1.9(c) that is material to the matter.
- (c) A disqualification prescribed by this rule may be waived by the affected client under the conditions stated in Rule 1.7.
- (d) The disqualification of lawyers associated in a firm with former or current government lawyers is governed by Rule 1.11.



Subject Matter
Conflict of Interest in Patent Law

- Subject matter conflicts may arise when a practitioner or firm represents different clients in patent or trademark prosecution involving similar subject matter. Examples include:
  1) Prosecuting Patent Applications for Different Clients with Similar Inventions;
  2) One Client's Confidential Information is Material to the Patentability of Claims Pending in Another Client's Application; and
  3)Client A's Patent as a Prior Art Reference Against Claims Pending in Client B's Application

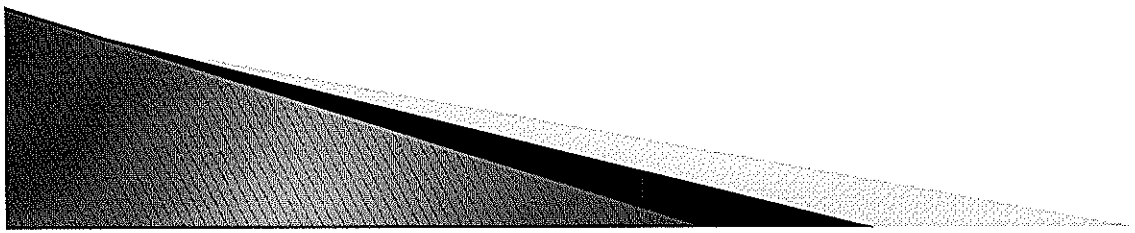


Prosecuting Patent Applications for Different Clients with same Inventions

- Client A and Client B would be seeking claims of the same scope for the **same invention**.
  - The practitioner would be prohibited from representing Client B under Rule 10.66(a) of the PTO Code because Client A and Client B clearly have "differing interests."
  - The representation would also be prohibited under Rule 1.7 of the Model Rules because of direct adversity.
    - The direct adversity arises from the fact that both clients are attempting to secure patent rights to the same invention, but only one client can prevail.

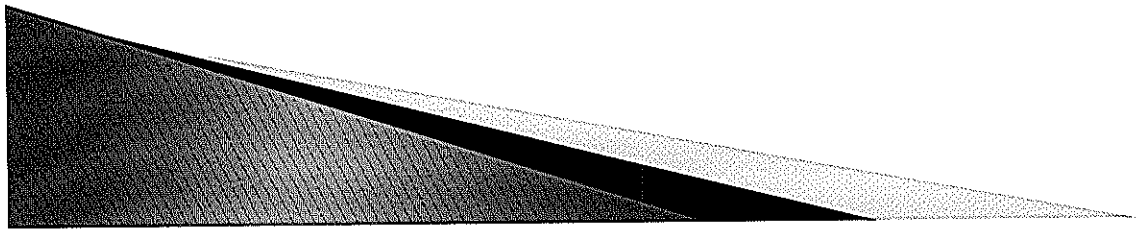
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO
  - Client A engages FIRM to prosecute patent applications for a method for identifying biological markers that indicate whether a person is likely to develop diabetes.
  - Client B engages FIRM to prosecute patent applications for a method for identifying a probability that a person will develop diabetes.
  - FIRM does not inform Client A of its representation of Client B



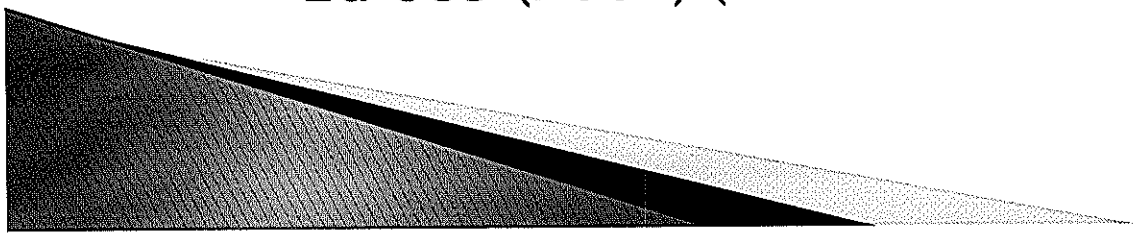
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - FIRM files provisional patent application for Client A on October 11, 2005.
  - FIRM files provisional patent application for Client B on September 1, 2006 (prior to the publication of Client A's application)
  - FIRM files PCT application for Client A on October 11, 2006.
  - FIRM files PCT application for Client B on March 28, 2007.
  - The provisional and PCT applications for both Client A and Client B include nearly identical language under a section entitled "Diagnostics and Prognostic Methods" (other sections of both applications include similar language).



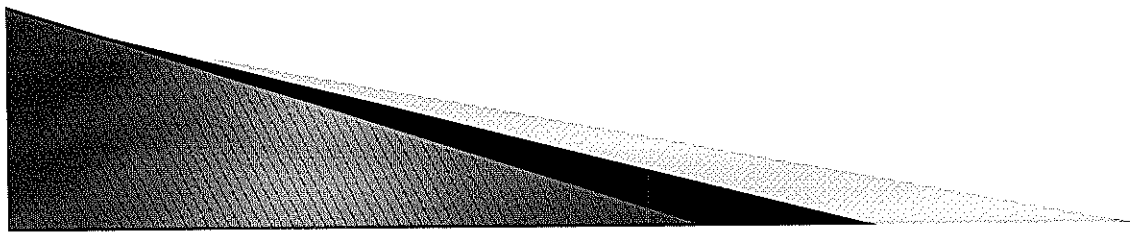
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Client A asserts claim against FIRM for breach of fiduciary duties.
  - Breach of Fiduciary Duty:
    - To maintain a claim for a breach of fiduciary duty, a plaintiff must allege: "(1) existence of a fiduciary duty; (2) breach of the fiduciary duty; and (3) damage proximately caused by the breach." *Stanley v. Richmond*, 35 Cal. App. 4th 1070, 1086, 41 Cal. Rptr. 2d 768 (1995). The "relation between attorney and client is a fiduciary relation of the very highest character." *Am. Airlines v. Sheppard, Mullin, Richter & Hampton*, 96 Cal. App. 4th 1017, 1044, 117 Cal. Rptr. 2d 685 (2002) (citation omitted).



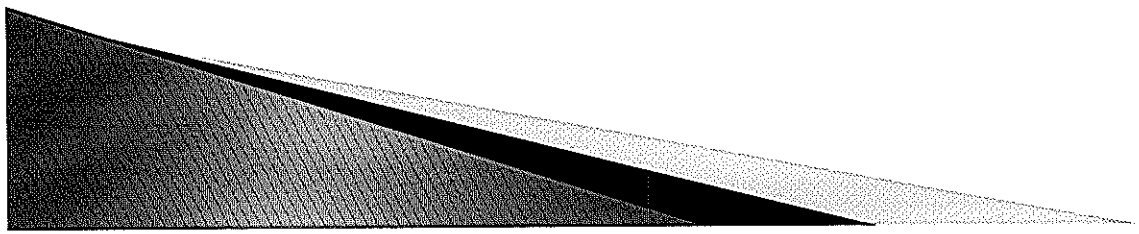
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Breach of Fiduciary Duty:
    - Duties of loyalty and confidentiality inhere in the fiduciary relationship between an attorney and a client. *See Flatt v. Superior Court*, 9 Cal. 4th 275, 288–89, 36 Cal. Rptr. 2d 537, 885 P.2d 950 (1994) (discussing duty of loyalty); Cal. Bus. & Prof. Code § 6068(e)(1) (providing duty of confidentiality for attorneys).
      - Client A alleges that FIRM violated their duty of loyalty by representing the adverse interests of Client B.
      - Client A alleges that FIRM violated their duty of confidentiality by, among other things, disclosing information on its provisional patent application to Client B.



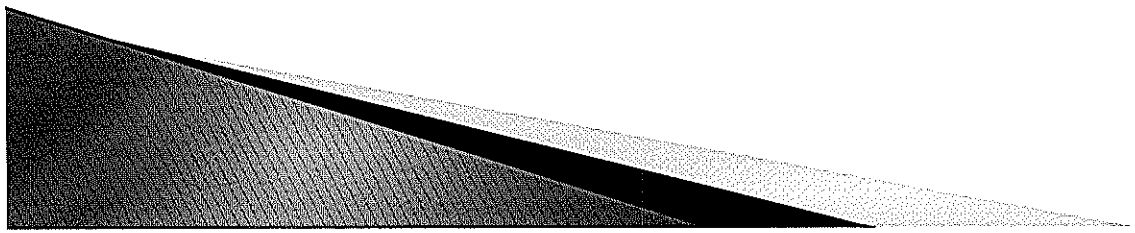
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Breach of Fiduciary Duty:
    - Client A alleges that FIRM violated their duty of loyalty by representing the adverse interests of Client B.
    - The United States Patent and Trademark Office Code of Professional Responsibility bars the representation of adverse parties unless "it is obvious that the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each." 37 C.F.R. § 10.66(a), (c).



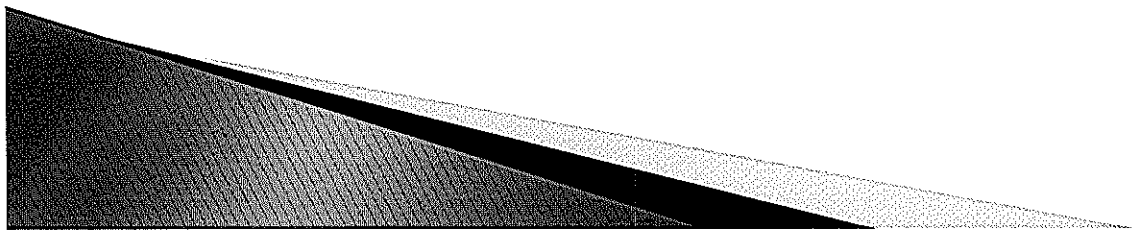
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Breach of Fiduciary Duty:
    - Client A alleges that FIRM violated their duty of confidentiality by, among other things, disclosing information on its provisional patent application to Client B.
    - FIRM assert that this information was not confidential because it constituted "high-level background information that . . . those of ordinary skill in the art already know."



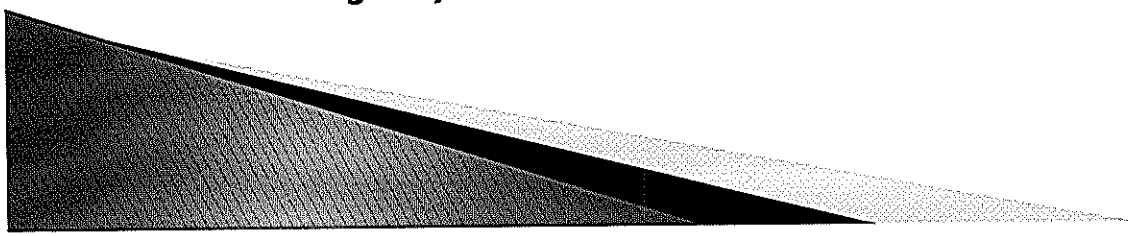
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Breach of Fiduciary Duty:
    - Defendants' argument, if accepted, would empower an attorney to determine what constitutes secret information and, if the attorney so decided, enable the disclosure of a client's confidences with impunity.
    - Further, even if skilled artisans may have had general knowledge concerning the allegedly copied information, it does not follow that the manner in which Plaintiff presented its invention in its provisional patent application was publicly known.



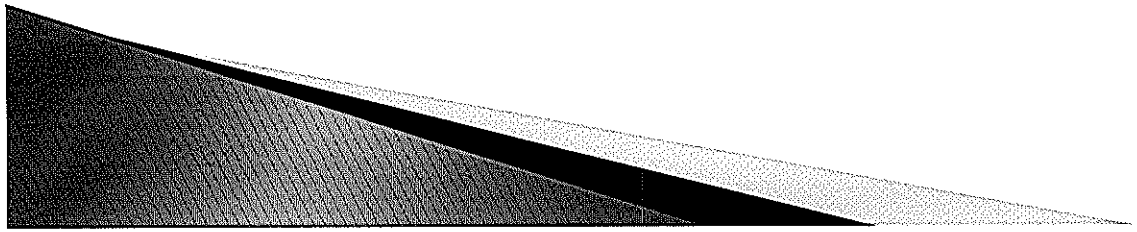
Prosecuting Patent Applications for Different Clients with Similar Inventions

- HYPO 1
  - Breach of Fiduciary Duty:
    - The United States District Court for the Northern District of California found that FIRM breached their duties of loyalty and confidentiality. (See Tethys Bioscience, Inc. v. Mintz et al., 2010 U.S. Dist. Lexis 55010, (2010)).
    - Client A suffered a decrease in the value of its intellectual property that satisfies the damage element of a claim for Breach of fiduciary duty. So long as Client A can prove this damage, the expenditure of resources to prevent additional harm and the payment of fees to hire new counsel can constitute additional injury.



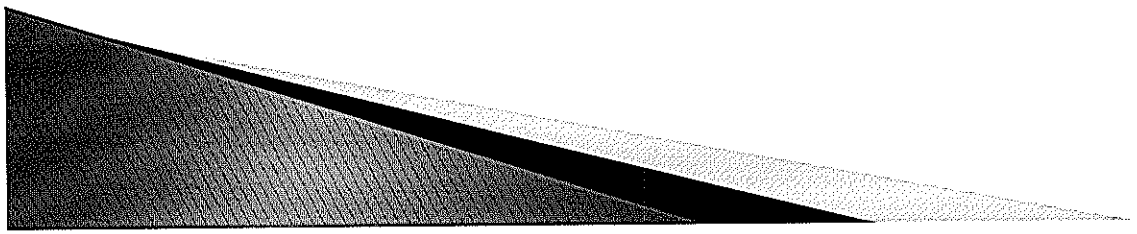
One Client's Confidential Information is Material to the Patentability of Claims Pending in Another Client's Application

- HYPO 2
  - Practitioner has confidential information of Client A that is allegedly material to the patentability of claims pending in Client B's patent application.
  - Practitioner has a duty under 37 C.F.R. § 1.56 to disclose Client A's confidential information to the PTO in connection with Client B's patent application. The practitioner's failure to comply with that duty may lead to a finding that Client B's patent is unenforceable and constitutes a violation of the PTO's disciplinary rules under 37 C.F.R. § 10.23(c)(10).
  - However, disclosure of Client A's confidential information to the PTO and Client B may constitute a violation of the duty of confidentiality under the PTO Code and state ethical rules. (As discussed hereinabove).



One Client's Confidential Information is Material to the Patentability of Claims Pending in Another Client's Application

- Threshold question: Is Client A's confidential information **material** to Client B's application?
- The determination should be made in light of Federal Circuit case law instructing that "doubts concerning whether information is material should be resolved in favor of disclosure." (*Brasseler, U.S.A. I., L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001); see also *Critikon, Inc. v. Becton Dickinson Vascular Access*, 120 F.3d 1253, 1257 (Fed. Cir. 1997)).
- If it is material, the practitioner would be in the position of representing "differing interests" within the meaning of 37 C.F.R. § 10.66(b), and the appropriate course of action would be for the practitioner to withdraw, as suggested by Judge Nies's dissenting opinion in *Molins. (See Molins PLC v. Textron, Inc., 48 F.3d 1172 (Fed. Cir. 1995)).*

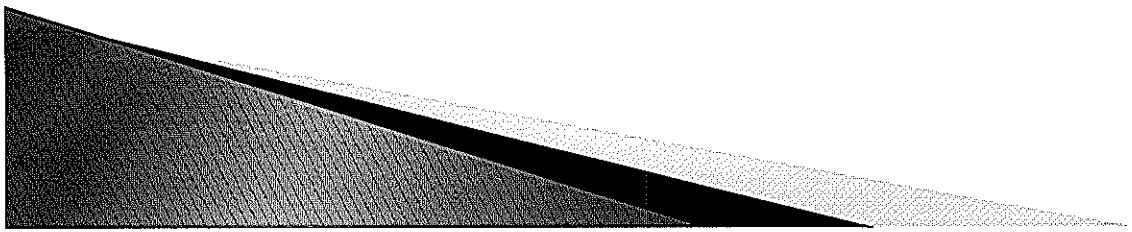


Client A's Patent as a Prior Art Reference Against Claims Pending in Client B's Application

- HYPO 3
- Practitioner argues that Client A's patent does not disclose a feature recited in the claims pending in Client B's application.
- Practitioner drafts claims for Client B "around" the issued Claims for Client A.
- Practitioner submits §1.131 on behalf of Client B to "swear behind"
- In each instance Rule 10.66(a) of the PTO Code may be violated because Client A and Client B clearly have "differing interests."
- Conservative approach = Withdraw Withdraw Withdraw

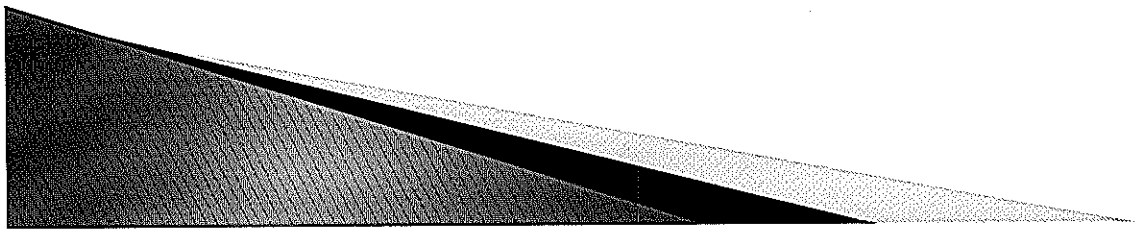
Waiver

- *Client-Lawyer Relationship*
  Rule 1.7(b) Conflict Of Interest: Current Clients
- (b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if:
- (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) each affected client gives **informed consent, confirmed in writing.**



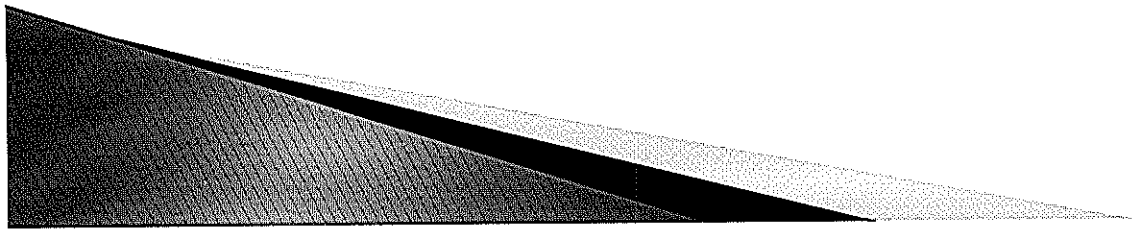
Waiver

- *Client-Lawyer Relationship*
  Rule 1.7(b) Conflict Of Interest: Current Clients
- Seven factors have emerged for evaluating whether a waiving client has provided "informed consent": (1) the waiver's breadth; (2) its temporal scope; (3) the quality of the conflict discussion between attorney and client; (4) the specificity of the waiver; (5) the nature of the actual conflict; (6) the sophistication of the client; and (7) the interests of justice. See *Concat LP and Chelator, LLC v. Unilever*, 350 F.Supp.2d 796, 820 (N.D. Ca. 2004).



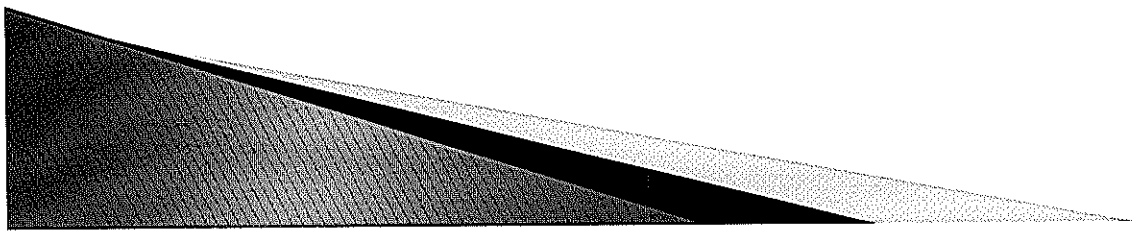
Advance Waiver

- An advance conflict waiver is an agreement, given by your client, to a potential future representation by your law firm that would otherwise be precluded because of a conflict of interest. (See Ohio Rules of Prof. Conduct 1.9)
- Law firms increasingly include such waivers in their standard form engagement letters.
- A sample advance waiver paragraph:
  - "The Client agrees that, notwithstanding our representation of the Client in general corporate matters we may, now or in the future, without seeking or obtaining your further consent, represent other persons, whether or not they are now clients of our law firm, in other matters, including litigation, where those other persons are adverse to the Client. The Client further agrees not to seek disqualification of our law firm should the firm sue the Client in the future." See Zielinski, Richard, *Advance Conflict Waivers*," Law Firm Partnership & Benefits Report, Goulston&Storrs, July 2009.



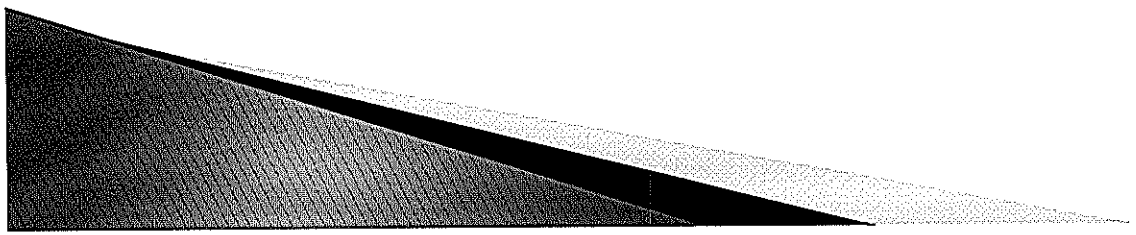
Advance Waiver

- Authorities
  - Comment 22 to Rule 1.7 of the Model Rules of Professional Conduct.
    - The rule was amended in 2002 and, for the first time, Comment 22 — specifically addressing advance conflict waivers — was added.
  - ABA Formal Opinion 05-436. In 2005, the ABA Standing Committee on Ethics took the position that amended Rule 1.7 permits effective informed consent "to a wider range of future conflicts then would have been possible under the prior rules." It withdrew another Formal Opinion — 93-372 — which had been on the books for 12 years.
  - New York City Bar Ethics Opinion 2006-1. This opinion goes further than any other concluding that, in certain circumstances, an advance waiver would be enforceable even with respect to substantially related non-litigation matter where the client who agreed to the waiver is "sophisticated".



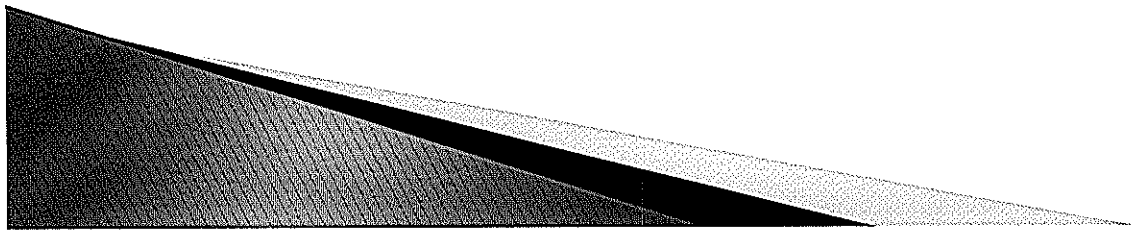
Advance Waiver

- Authorities
  - Cases upholding the validity of Advance Waivers
- In *Rymal v. Baergen, the Michigan Court of Appeals* upheld the validity of an advance waiver under circumstances where the attorney only agreed to provide limited representation to the client (filing an answer and affirmative defenses) and conditioned its continued representation on the fact that counsel would have to cease representation of the client if a conflict arose with the interests of counsel's previous client. Counsel required that the client agree in writing that if a conflict arose, counsel could continue to represent his earlier client notwithstanding that he may have received information subject to the attorney-client privilege. The court held the advance waiver valid where the attorney fully explained the nature of the representation that would be provided to each of the parties should a conflict arise, the written agreement anticipated the possibility of the conflict that eventually arose, and the client was aware of the history and nature of the potential conflict between himself and the other client. *Rymal v. Baergen*, 686 N.W.2d 241, 267 (Mich. Ct. App. 2004).



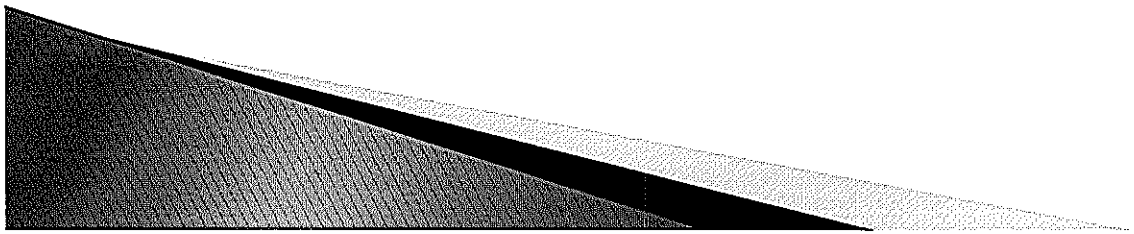
Advance Waiver

- Authorities
  - Cases upholding the validity of Advance Waivers
- In *Visa U.S.A., Inc. v. First Data Corp., the Northern* District of California approved an advance waiver in a case involving a law firm with offices in multiple cities whose San Francisco office represented Visa. Before the instant law suit was filed, First Data sought representation by the firm's Silicon Valley office in an unrelated Delaware patent infringement action. At the time of accepting this representation, the firm informed First Data that it could not represent First Data in the Delaware patent infringement case unless First Data agreed to permit it to represent Visa in any future disputes, including litigation, which might arise between First Data and Visa. The court approved the written waiver noting that the statement in the waiver that it included litigation was clear, and that the signer was sophisticated. *Visa U.S.A., Inc. v. First Data Corp.,* 241 F. Supp. 2d 1100, 1105-09 (N.D. Cal. 2003).



Advance Waiver

- Authorities
  - Cases upholding the validity of Advance Waivers
- In *Elonex I.P. Holdings, Ltd. v. Apple Computer, Inc.,* the District Court of Delaware, in a case involving a motion to disqualify an attorney in a patent infringement action who represented the moving party in an unrelated patent infringement action, approved an oral advance waiver, noting that there was a strong inference that the waiver was granted for more than transactional purposes, that the waiver expressly noted the likely subject matter in dispute (a future patent infringement action), and that the firm could reasonably serve both client's interests as matters were unrelated and clients' interests were only generally adverse. Elonex I.P. Holdings, Ltd. v. Apple Computer, Inc., 142 F. Supp. 2d 579, 582-83 (D. Del. 2001).

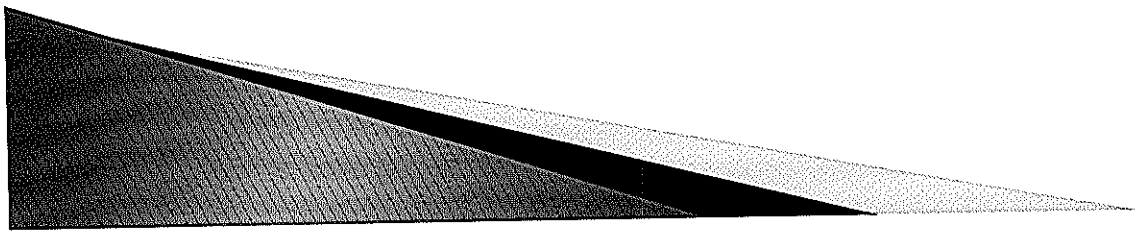


Advance Waiver

- Authorities
  - Cases invalidating Advance Waivers
- • In *In re: Congoleum Corp, the Third Circuit held that* a firm which represented an insured in bankruptcy in negotiating settlement arrangements with asbestos injury claimants, who were represented by attorneys who were co-counsel with the firm in insurance coverage matters involving those same claimants, had an actual, concurrent conflict of interest. The Court reversed the order approving the retention of the firm holding that this conflict was not properly waived where the firm did not receive effective waivers from the claimants it represented, where it relied upon co-counsel to obtain such waivers from the individual claimants. The record contained no evidence of any information that was provided to the claimants or any indication of the claimants' waiver. *In re Congoleum Corp.,* 426 F.3d 675, 689-91 (3d Cir. 2005).

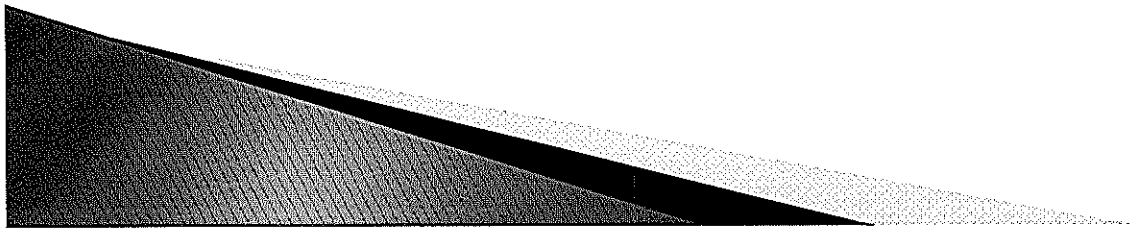
Advance Waiver

- Authorities
  - Cases invalidating Advance Waivers
- In *Concat L.P. & Chelator, L.L.C. v. Unilever, P.L.C.,* the Northern District of California held that where a standard boilerplate prospective waiver executed by the client was insufficient to demonstrate informed consent by the client where it was extremely broad, intended to cover almost any eventuality, had an unlimited temporal scope, there was no evidence of any discussion of the waiver even though it expressly stated that the firm would not engage in representation in a substantially related matter, and involved a client with a high degree of sophistication. The law firm would have had to obtain a second, more specific waiver when the conflict arose in order to create a valid waiver. The court disqualified the firm based on this failure to secure a second, more specific waiver at the time that the conflict arose. *Concat LP & Chelator, LLC v. Unilever, PLC*, 350 F. Supp. 2d 796, 820–21 (N.D. Cal. 2004).



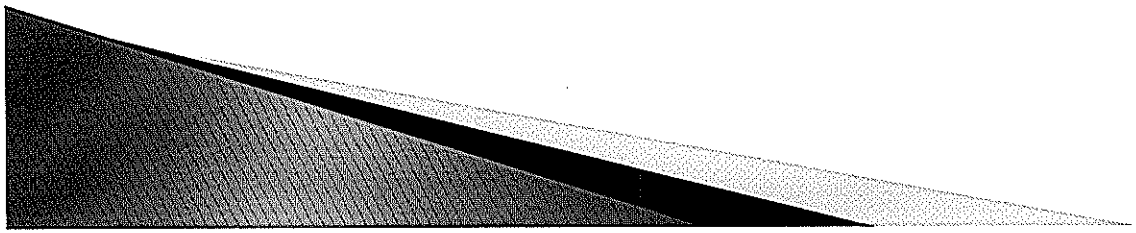
Advance Waiver

- Authorities
  - Cases invalidating Advance Waivers
- In *Schwartz v. Industrial Valley Title Ins. Co., the* Eastern District of Pennsylvania held that an advance waiver given in 1993 in a related but separate action was not effective to waive a conflict related to an action commenced in 1996 due to the attorney's failure to inform his client of the nature of the possible adverse litigation. *Schwartz v. Indus. Valley Title Ins. Co.,* No. CIV A 96-5677, 1997 U.S. Dist LEXIS 15673, (E.D. Pa. June 5, 1997).



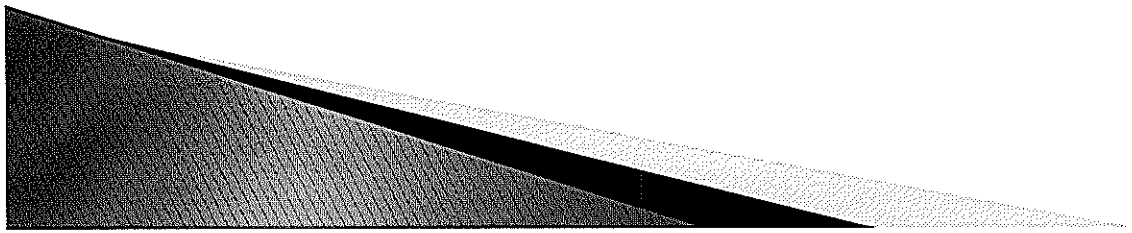
Advance Waiver

- Authorities
  - Cases invalidating Advance Waivers
- In *Celegene Corp.* a law firm failed to sustain its burden of proof that it had obtained truly informed consent in advanced waiver from very sophisticated client. Although the parties were very sophisticated, very large companies and law firms, the found the waiver was invalid. (See *Celegene Corp. v. KV Pharmaceutical Co.*, 2008 U.S. Dist. Lexis 58735(D. N.J. 2008)).



Advance Waiver

- Key Issues
  - Is the conflict one that is waivable at all?
    - In general, the test is whether a reasonable person would conclude that the law firm's representation of each client is not likely to be materially affected by its representation of another client.
    - For example, if your law firm represented a client in prosecuting a patent application, there is no way the firm could possibly represent an alleged infringer and argue that the patent is invalid.
  - Whether the future matter and risks associated with such matter are adequately identified (informed consent);
  - Whether the party giving the waiver is adequately sophisticated
    - Instead of asking what the client learned from the attorney seeking the advance waiver, courts are questioning what *should* the waiving client have known;
  - Whether the waiver is recent enough; and
  - Whether the waiving party had independent counsel's advice on giving the waiver.



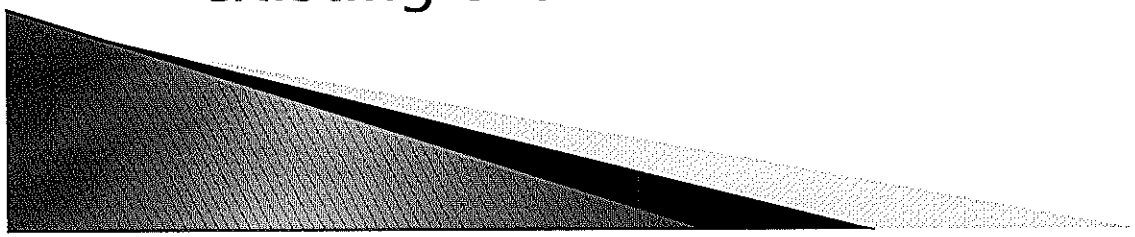
Suggestions for Minimizing Risks of Subject Matter Conflicts[fn1]

1) Know the relevant ethical rules governing your representation. Given the uncertain and potentially conflicting relationship between the ethical obligations imposed on practitioners by the PTO Code and state ethics rules, the importance of a thorough understanding of all potentially applicable rules cannot be overstated. Because many conflicts of interest can be avoided or resolved if caught early, a solid working knowledge of the rules is essential.

fn1. See Steven E. Ross, Subject Matter Conflicts in Patent and Trademark Prosecution, Gardere Wynne Sewell, LLP; Lisa A. Dolak, Conflicts of Interest: Guidance for the Intellectual Property Practitioner, 39 J.L. & Tech. 267, 287-89 (1999); David Hricik, Trouble Waiting to Happen: Malpractice and Ethical Issues in Patent Prosecution, 31 AIPLA Q.J. 385, 420 (Fall 2003); George M. Kryder, Ethics and Loss Prevention Issues in Intellectual Property Practice, AIPLA 2006 Annual Meeting (Washington, DC), pp. 26-29 (2006).

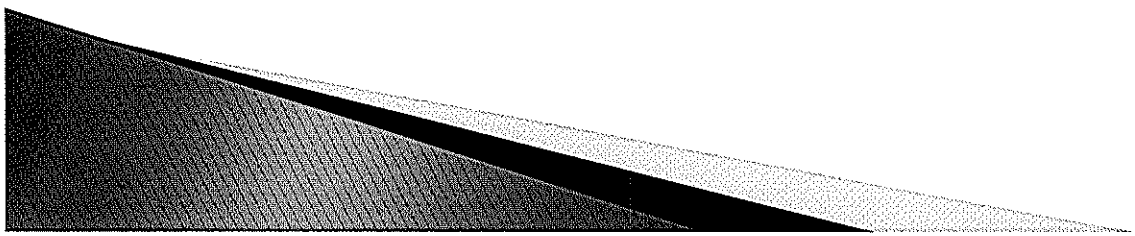
Suggestions for Minimizing Risks of Subject Matter Conflicts

2) Expand the information used in conflict check procedures. Subject matter conflicts arise from the representation of clients' with conflicting interests in technologies and intangible rights. By their vary nature, they are inherently more difficult to identify than other kinds of conflicts. Catching potential subject matter conflicts thus requires a deeper and more expansive knowledge of a client's business. Circulating a description of a potential client's technologies or products, along with traditional conflict checking information (via conflicts emails, etc.) can help to identify potential conflicts with existing clients.



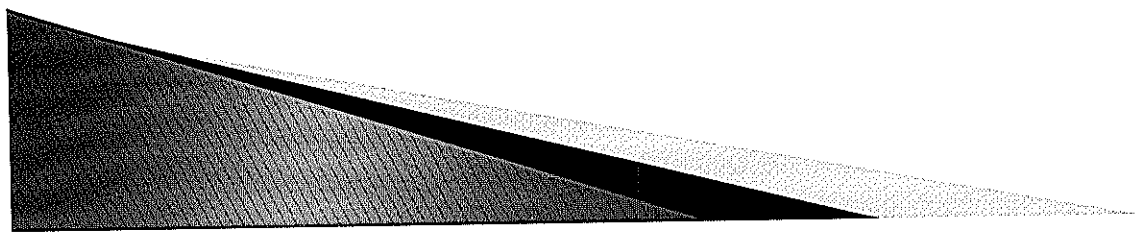
Suggestions for Minimizing Risks of Subject Matter Conflicts

3) Control the intake of client information. When conducting initial meetings with potential clients, it is important to get just enough information to adequately run a conflicts check without receiving too much confidential information. A practitioner should limit the conversations to avoid asking for or receiving confidential information that could later disqualify the practitioner. However, situations can arise where disclosure of confidential information may be necessary to acquire enough information for a sufficient conflict check. In such situations, a written limited waiver of confidentiality by the potential client may be an appropriate solution.



Suggestions for Minimizing Risks of Subject Matter Conflicts

4) Inform clients and obtain written consents when necessary and appropriate. Potential clients should be informed regarding the treatment of information they disclose and the potential for conflicts. When appropriate, informed, written consent should be obtained. For example, in initial interviews, potential clients should be informed that until an attorney-client relationship is established (under applicable rules), nothing disclosed will be confidential information or will prevent the practitioner/firm from representing others who may be adverse. Additionally, in patent prosecution matters, clients should be advised that the practitioner/firm prosecutes patents in related fields for other clients, and thus, coverage obtained for another client may be adversely limiting to the scope of the client's application.



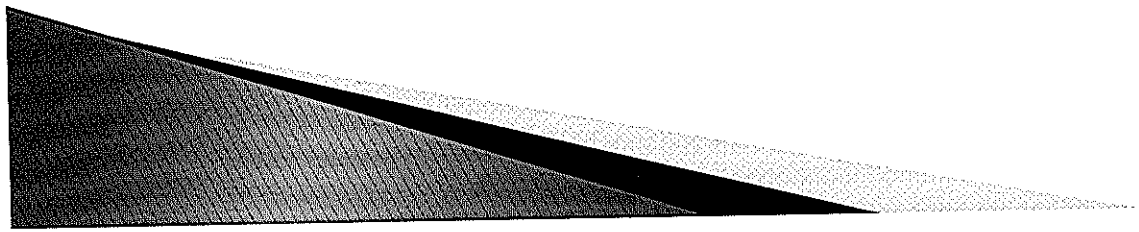
Suggestions for Minimizing Risks of Subject Matter Conflicts

5) Evaluate the risk early and often, and take prompt remedial action when necessary. Practitioners should follow-up a client's initial conflicts analysis with subsequent regularly scheduled analyses in order to identify conflicts that did not previously exist. For example, one client's movement into another technical field may result in adverse interests between clients. Consistent conflicts screening will allow practitioners to quickly take remedial action upon discovery of such a conflict.

Suggestions for Minimizing Risks of Subject Matter Conflicts

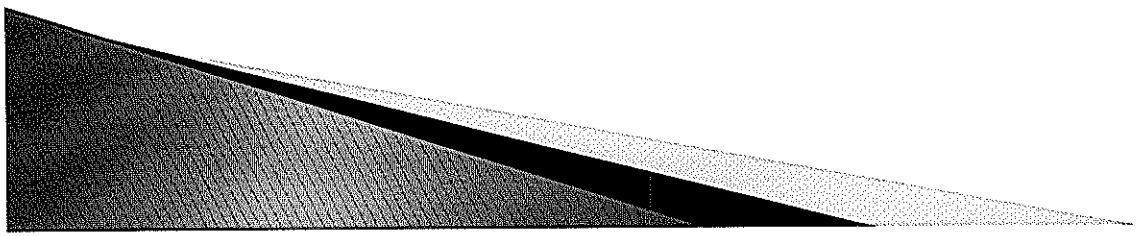
6. In the trademark context, attorneys should review the names and firm affiliations of correspondents for marks listed in trademark search reports. Conflict checks should be run on the owners of registered marks cited against pending trademark applications.

7. Always send letters of engagement. In addition to setting out terms for payment of fees, scope of representation, etc., engagement letters can include agreements for consent to certain conflicts. Engagement letters should be executed by the client and returned to the practitioner.



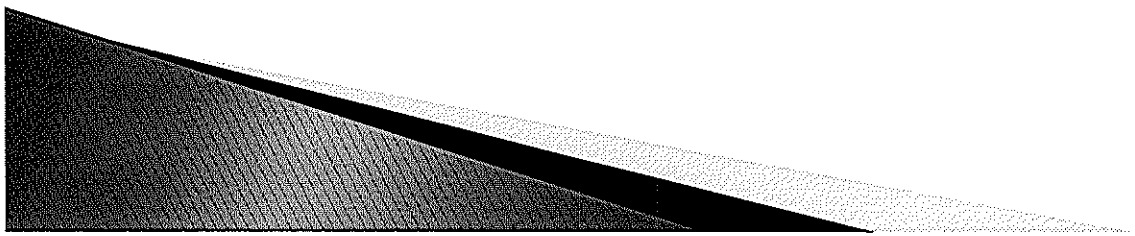
Suggestions for Minimizing Risks of Subject Matter Conflicts

8. Always send letters of non-engagement and termination of representation. Although a court will ultimately decide issues of disqualification, letters of non-engagement provide support for the practitioner. Termination of representation letters are equally beneficial in memorializing the end of representation for conflicts and other purposes.
9. Promptly implement appropriate screening procedures. Many conflicts can be managed with prompt use of an ethical screen (also called a Chinese wall) to shield a tainted attorney from infecting his or her associates. When use of an ethical screen involves a lateral hire, the screen should be implemented prior to the lateral's arrival at the firm. An ethical screen is not a catch-all solution, and practitioners should be mindful of the propriety of their use under applicable law.



Suggestions for Minimizing Risks of Subject Matter Conflicts

10. Educate attorneys and staff. Firms should pay particular attention to the education of their attorneys and staff regarding the foregoing suggestions, especially given that many firms have multiple offices with multiple IP practitioners, and thus are subject to greater challenges in recognizing conflicts.



SCOPE

[14] The Ohio Rules of Professional Conduct are rules of reason. They should be interpreted with reference to the purposes of legal representation and of the law itself. Some of the rules are imperatives, cast in the terms "shall" or "shall not." These define proper conduct for purposes of professional discipline. Others, generally cast in the term "may," are permissive and define areas under the rules in which the lawyer has discretion to exercise professional judgment. No disciplinary action should be taken when the lawyer chooses not to act or acts within the bounds of such discretion. Other rules define the nature of relationships between the lawyer and others. The rules are thus partly obligatory and disciplinary and partly constitutive and descriptive in that they define a lawyer's professional role. Many of the comments use the term "should." Comments do not add obligations to the rules but provide guidance for practicing in compliance with the rules.

[15] The rules presuppose a larger legal context shaping the lawyer's role. That context includes court rules relating to matters of licensure, laws defining specific obligations of lawyers, and substantive and procedural law in general. The comments are sometimes used to alert lawyers to their responsibilities under such other law.

[16] Compliance with the rules, as with all law in an open society, depends primarily upon understanding and voluntary compliance, secondarily upon reinforcement by peer and public opinion, and finally, when necessary, upon enforcement through disciplinary proceedings. The rules do not, however, exhaust the moral and ethical considerations that should inform a lawyer, for no worthwhile human activity can be completely defined by legal rules. The rules simply provide a framework for the ethical practice of law.

[17] Furthermore, for purposes of determining the lawyer's authority and responsibility, principles of substantive law external to these rules determine whether a client-lawyer relationship exists. Most of the duties flowing from the client-lawyer relationship attach only after the client has requested the lawyer to render legal services and the lawyer has agreed to do so. But there are some duties, such as that of confidentiality under Rule 1.6, that attach when the lawyer agrees to consider whether a client-lawyer relationship shall be established. See Rule 1.18. Whether a client-lawyer relationship exists for any specific purpose can depend on the circumstances and may be a question of fact.

[18] Under various legal provisions, including constitutional, statutory, and common law, the responsibilities of government lawyers may include authority concerning legal matters that ordinarily reposes in the client in private client-lawyer relationships. For example, a lawyer for a government agency may have authority on behalf of the government to decide upon settlement or whether to appeal from an adverse judgment. Such authority in various respects is generally vested in the attorney general and the state's attorney in state government, and their federal counterparts, and the same may be true of other government law officers. Also, lawyers under the supervision of these officers may be authorized to represent several government agencies in intragovernmental legal controversies in circumstances where a private lawyer could not represent multiple private clients. These rules do not abrogate any such authority.

[19] Failure to comply with an obligation or prohibition imposed by a rule is a basis for invoking the disciplinary process. The rules presuppose that disciplinary assessment of a lawyer's conduct will be made on the basis of the facts and circumstances as they existed at the time of the conduct in question and in recognition of the fact that a lawyer often has to act upon uncertain or incomplete evidence of the situation. Moreover, the rules presuppose that whether or not discipline should be imposed for a violation, and the severity of a sanction, depend on all the circumstances, such as the willfulness and seriousness of the violation, extenuating factors, and whether there have been previous violations.

[20] Violation of a rule should not itself give rise to a cause of action against a lawyer nor should it create any presumption in such a case that a legal duty has been breached. In addition, violation of a rule does not necessarily warrant any other nondisciplinary remedy, such as disqualification of a lawyer in pending litigation. The rules are designed to provide guidance to lawyers and to provide a structure for regulating

conduct through disciplinary agencies. They are not designed to be a basis for civil liability. Furthermore, the purpose of the rules can be subverted when they are invoked by opposing parties as procedural weapons. The fact that a rule is a just basis for a lawyer's self-assessment, or for sanctioning a lawyer under the administration of a disciplinary authority, does not imply that an antagonist in a collateral proceeding or transaction has standing to seek enforcement of the rule. Nevertheless, since the rules do establish standards of conduct by lawyers, a lawyer's violation of a rule may be evidence of breach of the applicable standard of conduct.

[21] The comment accompanying each rule explains and illustrates the meaning and purpose of the rule. The Preamble and this note on Scope provide general orientation. The comments are intended as guides to interpretation, but the text of each rule is authoritative.

RULE 1.0: TERMINOLOGY

As used in these rules:

(a) "Belief" or "believes" denotes that the person involved actually supposed the fact in question to be true. A person's belief may be inferred from circumstances.

(b) "Confirmed in writing," when used in reference to the informed consent of a person, denotes informed consent that is given in writing by the person or a writing that a lawyer promptly transmits to the person confirming an oral informed consent. See division (f) for the definition of "informed consent." If it is not feasible to obtain or transmit the writing at the time the person gives informed consent, then the lawyer must obtain or transmit it within a reasonable time thereafter.

(c) "Firm" or "law firm" denotes a lawyer or lawyers in a law partnership, professional corporation, sole proprietorship, or other association authorized to practice law; or lawyers employed in a private or public legal aid or public defender organization, a legal services organization, or the legal department of a corporation or other organization.

(d) "Fraud" or "fraudulent" denotes conduct that has an intent to deceive and is either of the following:

(1) an actual or implied misrepresentation of a material fact that is made either with knowledge of its falsity or with such utter disregard and recklessness about its falsity that knowledge may be inferred;

(2) a knowing concealment of a material fact where there is a duty to disclose the material fact.

(e) "Illegal" denotes criminal conduct or a violation of an applicable statute or administrative regulation.

(f) "Informed consent" denotes the agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct.

(g) "Knowingly," "known," or "knows" denotes actual knowledge of the fact in question. A person's knowledge may be inferred from circumstances.

(h) "Partner" denotes a member of a partnership, a shareholder in a law firm organized as a professional corporation, or a member of an association authorized to practice law.

(i) "Reasonable" or "reasonably" when used in relation to conduct by a lawyer denotes the conduct of a reasonably prudent and competent lawyer.

(j) "Reasonable belief" or "reasonably believes" when used in reference to a lawyer denotes that the lawyer believes the matter in question and that the circumstances are such that the belief is reasonable.

(k) "Reasonably should know" when used in reference to a lawyer denotes that a lawyer of reasonable prudence and competence would ascertain the matter in question.

(l) "Screened" denotes the isolation of a lawyer from any participation in a matter through the timely imposition of procedures within a firm that are reasonably adequate under the circumstances to protect information that the isolated lawyer is obligated to protect under these rules or other law.

(m) "Substantial" when used in reference to degree or extent denotes a matter of real importance or great consequence.

(n) "Substantially related matter" denotes one that involves the same transaction or legal dispute or one in which there is a substantial risk that confidential factual information that would normally have been obtained in the prior representation of a client would materially advance the position of another client in a subsequent matter.

(o) "Tribunal" denotes a court, an arbitrator in a binding arbitration proceeding, or a legislative body, administrative agency, or other body acting in an adjudicative capacity. A legislative body, administrative agency, or other body acts in an adjudicative capacity when a neutral official, after the presentation of evidence or legal argument by a party or parties, will render a binding legal judgment directly affecting a party's interests in a particular matter.

(p) "Writing" or "written" denotes a tangible or electronic record of a communication or representation, including handwriting, typewriting, printing, photostating, photography, audio or videorecording, and e-mail. A "signed" writing includes an electronic sound, symbol, or process attached to or logically associated with a writing and executed or adopted by a person with the intent to sign the writing.

Comment

Confirmed in Writing

[1] If it is not feasible to obtain or transmit a written confirmation at the time the client gives informed consent, then the lawyer must obtain or transmit it within a reasonable time thereafter. If a lawyer has obtained a client's informed consent, the lawyer may act in reliance on that consent so long as it is confirmed in writing within a reasonable time thereafter.

Firm

[2] Whether two or more lawyers constitute a firm within division (c) can depend on the specific facts. For example, a lawyer in an of-counsel relationship with a law firm will be treated as part of that firm. On the other hand, two practitioners who share office space and occasionally consult or assist each other ordinarily would not be regarded as constituting a firm for purposes of fee division in Rule 1.5(e). The terms of any agreement between associated lawyers are relevant in determining whether they are a firm, as is the fact that they have mutual access to information concerning the clients they serve. Furthermore, it is relevant in doubtful cases to consider the underlying purpose of the rule that is involved.

[3] With respect to the law department of an organization, there is ordinarily no question that the members of the department constitute a firm within the meaning of the Ohio Rules of Professional Conduct. There can be uncertainty, however, as to the identity of the client. For example, it may not be clear whether the law department of a corporation represents a subsidiary or an affiliated corporation, as well as the corporation by which the members of the department are directly employed. A similar question can arise concerning an unincorporated association and its local affiliates.

[4] Similar questions can also arise with respect to lawyers in legal aid and legal services organizations. Depending upon the structure of the organization, the entire organization or different components of it may constitute a firm or firms for purposes of these rules.

[4A] Government agencies are not included in the definition of "firm" because there are significant differences between a government agency and a group of lawyers associated to serve nongovernmental clients. Of course, all lawyers who practice law in a government agency are subject to these rules. Moreover, some of these rules expressly impose upon lawyers associated in a government agency the same or analogous duties to those required of lawyers associated in a firm. See Rules 3.6(d), 3.7(c), 5.1(c), and 5.3. Identifying the governmental client of a lawyer in a government agency is beyond the scope of these rules.

Fraud

[5] The terms "fraud" or "fraudulent" incorporate the primary elements of common law fraud. The terms do not include negligent misrepresentation or negligent failure to apprise another of relevant information. For purposes of these rules, it is not necessary that anyone has suffered damages or relied on the misrepresentation or failure to inform. Under division (d)(2), the duty to disclose a material fact may arise under these rules or other Ohio law.

Informed Consent

[6] Many of the Ohio Rules of Professional Conduct require the lawyer to obtain the informed consent of a client or other person (*e.g.,* a former client or, under certain circumstances, a prospective client) before accepting or continuing representation or pursuing a course of conduct. See, *e.g.,* Rules 1.6(a) and 1.7(b). The communication necessary to obtain such consent will vary according to the rule involved and the circumstances giving rise to the need to obtain informed consent. The lawyer must make reasonable efforts to ensure that the client or other person possesses information reasonably adequate to make an informed decision. Ordinarily, this will require communication that includes a disclosure of the facts and circumstances giving rise to the situation, any explanation reasonably necessary to inform the client or other person of the material advantages and disadvantages of the proposed course of conduct and a discussion of the client's or other person's options and alternatives. In some circumstances it may be appropriate for a lawyer to advise a client or other person to seek the advice of other counsel. A lawyer need not inform a client or other person of facts or implications already known to the client or other person; nevertheless, a lawyer who does not personally inform the client or other person assumes the risk that the client or other person is inadequately informed and the consent is invalid. In determining whether the information and explanation provided are reasonably adequate, relevant factors include whether the client or other person is experienced in legal matters generally and in making decisions of the type involved, and whether the client or other person is independently represented by other counsel in giving the consent. Normally, such persons need less information and explanation than others, and generally a client or other person who is independently represented by other counsel in giving the consent should be assumed to have given informed consent.

[7] Obtaining informed consent will usually require an affirmative response by the client or other person. In general, a lawyer may not assume consent from a client's or other person's silence. Consent may be inferred, however, from the conduct of a client or other person who has reasonably adequate information about the matter. A number of rules require that a person's consent be confirmed in writing. See Rules 1.7(b) and 1.9(a). For a definition of "writing" and "confirmed in writing," see divisions (p) and (b). Other rules require that a client's consent be obtained in a writing signed by the client. See, *e.g.,* Rules 1.8(a) and (g). For a definition of "signed," see division (p).

Screened

[8] This definition applies to situations where screening of a personally disqualified lawyer is permitted to remove imputation of a conflict of interest under Rules 1.10, 1.11, 1.12, or 1.18.

[9] The purpose of screening is to assure the affected parties that confidential information known by the personally disqualified lawyer remains protected. The personally disqualified lawyer should

acknowledge the obligation not to communicate with any of the other lawyers in the firm with respect to the matter. Similarly, other lawyers in the firm who are working on the matter should be informed that the screening is in place and that they may not communicate with the personally disqualified lawyer with respect to the matter. Additional screening measures that are appropriate for the particular matter will depend on the circumstances. To implement, reinforce, and remind all affected lawyers of the presence of the screening, it may be appropriate for the firm to undertake such procedures as a written undertaking by the screened lawyer to avoid any communication with other firm personnel and any contact with any firm files or other materials relating to the matter, written notice and instructions to all other firm personnel forbidding any communication with the screened lawyer relating to the matter, denial of access by the screened lawyer to firm files or other materials relating to the matter, and periodic reminders of the screen to the screened lawyer and all other firm personnel.

[10] In order to be effective, screening measures must be implemented as soon as practical after a lawyer or law firm knows or reasonably should know that there is a need for screening.

Substantial and "Substantially Related Matter"

[11] The definition of "substantial" does not extend to "substantially" as used in Rules 1.9, 1.10, 1.11, 1.12, 1.16, 1.18, and 7.4. The definition of "substantially related matter" is taken from Rule 1.9, Comment [3] and defines the term for purposes of Rules 1.9, 1.10, and 1.18. "Personally and substantially," as used in Rule 1.11, originated in 18 U.S.C. Sec. 207. Rule 1.12, Comment [1] defines "personally and substantially" for former adjudicative officers.

RULE 1.2: SCOPE OF REPRESENTATION AND ALLOCATION OF AUTHORITY BETWEEN CLIENT AND LAWYER

(a) Subject to divisions (c), (d), and (e) of this rule, a lawyer shall abide by a client's decisions concerning the objectives of representation and, as required by Rule 1.4, shall consult with the client as to the means by which they are to be pursued. A lawyer may take action on behalf of the client as is impliedly authorized to carry out the representation. A lawyer does not violate this rule by acceding to requests of opposing counsel that do not prejudice the rights of the client, being punctual in fulfilling all professional commitments, avoiding offensive tactics, and treating with courtesy and consideration all persons involved in the legal process. A lawyer shall abide by a client's decision whether to settle a matter. In a criminal case, the lawyer shall abide by the client's decision as to a plea to be entered, whether to waive a jury trial, and whether the client will testify.

(b) [RESERVED]

(c) A lawyer may limit the scope of a new or existing representation if the limitation is *reasonable* under the circumstances and communicated to the client, preferably in *writing*.

(d) A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer *knows* is *illegal* or *fraudulent*. A lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client in making a good faith effort to determine the validity, scope, meaning, or application of the law.

(e) Unless otherwise required by law, a lawyer shall not present, participate in presenting, or threaten to present criminal charges or professional misconduct allegations solely to obtain an advantage in a civil matter.

Comment

Allocation of Authority between Client and Lawyer

[1] Division (a) confers upon the client the ultimate authority to determine the purposes to be served by legal representation, within the limits imposed by law and the lawyer's professional obligations. The decisions specified in division (a), such as whether to settle a civil matter, must also be made by the client. See Rule 1.4(a)(1) for the lawyer's duty to communicate with the client about such decisions. With respect to the means by which the client's objectives are to be pursued, the lawyer shall consult with the client as required by Rule 1.4(a)(2) and may take such action as is impliedly authorized to carry out the representation.

[2] On occasion, however, a lawyer and a client may disagree about the means to be used to accomplish the client's objectives. Clients normally defer to the special knowledge and skill of their lawyer with respect to the means to be used to accomplish their objectives, particularly with respect to technical, legal, and tactical matters. Conversely, lawyers usually defer to the client regarding such questions as the expense to be incurred and concern for third persons who might be adversely affected. Because of the varied nature of the matters about which a lawyer and client might disagree and because the actions in question may implicate the interests of a tribunal or other persons, this rule does not prescribe how such disagreements are to be resolved. Other law, however, may be applicable and should be consulted by the lawyer. The lawyer should also consult with the client and seek a mutually acceptable resolution of the disagreement. If such efforts are unavailing and the lawyer has a fundamental disagreement with the client, the lawyer may withdraw from the representation. See Rule 1.16(b)(4). Conversely, the client may resolve the disagreement by discharging the lawyer. See Rule 1.16(a)(3).

[3] At the outset of a representation, the client may authorize the lawyer to take specific action on the client's behalf without further consultation. Absent a material change in circumstances and subject to Rule 1.4, a lawyer may rely on such an advance authorization. The client may, however, revoke such authority at any time.

[4] In a case in which the client appears to be suffering diminished capacity, the lawyer's duty to abide by the client's decisions is guided by reference to Rule 1.14.

[4A] Division (a) makes it clear that regardless of the nature of the representation the lawyer does not breach a duty owed to the client by maintaining a professional and civil attitude toward all persons involved in the legal process. Specifically, punctuality, the avoidance of offensive tactics, and the treating of all persons with courtesy are viewed as essential components of professionalism and civility, and their breach may not be required by the client as part of the representation.

Independence from Client's Views or Activities

[5] A lawyer's representation of a client, including representation by appointment, does not constitute an endorsement of the client's political, economic, social, or moral views or activities. Legal representation should not be denied to people who are unable to afford legal services or whose cause is controversial or the subject of popular disapproval. By the same token, representing a client does not constitute approval of the client's views or activities.

Agreements Limiting Scope of Representation

[6] [RESERVED]

[7] Although division (c) affords the lawyer and client substantial latitude in defining the scope of the representation, any limitation must be reasonable under the circumstances. If, for example, a client's objective is limited to securing general information about the law that the client needs in order to handle a common and typically uncomplicated legal problem, the lawyer and client may agree that the lawyer's services will be limited to a brief telephone consultation. Such a limitation would not be reasonable if the time allotted was not sufficient to yield advice upon which the client could rely. In addition, the terms upon which representation is undertaken may exclude specific means that might otherwise be used to accomplish the client's objectives. Such limitations may exclude actions that the client thinks are too costly or that the lawyer regards as repugnant or imprudent. Although an agreement for a limited representation does not exempt a lawyer from the duty to provide competent representation, the limitation is a factor to be considered when

determining the legal knowledge, skill, thoroughness, and preparation reasonably necessary for the representation. See Rule 1.1.

[7A] Written confirmation of a limitation of a new or existing representation is preferred and may be any writing that is presented to the client that reflects the limitation, such as a letter or electronic transmission addressed to the client or a court order. A lawyer may create a form or checklist that specifies the scope of the client-lawyer relationship and the fees to be charged. An order of a court appointing a lawyer to represent a client is sufficient to confirm the scope of that representation.

[8] All agreements concerning a lawyer's representation of a client must accord with the Ohio Rules of Professional Conduct and other law. See, *e.g.*, Rules 1.1, 1.8 and 5.6.

Illegal, Fraudulent and Prohibited Transactions

[9] Division (d) prohibits a lawyer from knowingly counseling or assisting a client to commit an illegal act or fraud. This prohibition, however, does not preclude the lawyer from giving an honest opinion about the actual consequences that appear likely to result from a client's conduct. Nor does the fact that a client uses advice in a course of action that is illegal or fraudulent of itself make a lawyer a party to the course of action. There is a critical distinction between presenting an analysis of legal aspects of questionable conduct and recommending the means by which an illegal act or fraud might be committed with impunity.

[10] When the client's course of action has already begun and is continuing, the lawyer's responsibility is especially delicate. The lawyer is required to avoid assisting the client, for example, by drafting or delivering documents that the lawyer knows are fraudulent or by suggesting how the wrongdoing might be concealed. A lawyer may not continue assisting a client in conduct that the lawyer originally supposed was legally permissible but then discovers is improper. See Rules 3.3(b) and 4.1(b).

[11] Where the client is a fiduciary, the lawyer may be charged with special obligations in dealings with a beneficiary.

[12] Division (d) applies whether or not the defrauded party is a party to the transaction. Hence, a lawyer must not participate in a transaction to effectuate illegal or fraudulent avoidance of tax liability. Division (d) does not preclude undertaking a criminal defense incident to a general retainer for legal services to a lawful enterprise. The last clause of division (d) recognizes that determining the validity or interpretation of a statute or regulation may require a course of action involving disobedience of the statute or regulation or of the interpretation placed upon it by governmental authorities.

[13] If a lawyer comes to know or reasonably should know that a client expects assistance not permitted by the Ohio Rules of Professional Conduct or other law or if the lawyer intends to act contrary to the client's instructions, the lawyer must consult with the client regarding the limitations on the lawyer's conduct. See Rule 1.4(a)(5).

RULE 1.6: CONFIDENTIALITY OF INFORMATION

(a) A lawyer shall not reveal information relating to the representation of a client, including information protected by the attorney-client privilege under applicable law, unless the client gives *informed consent*, the disclosure is impliedly authorized in order to carry out the representation, or the disclosure is permitted by division (b) or required by division (c) of this rule.

(b) A lawyer may reveal information relating to the representation of a client, including information protected by the attorney-client privilege under applicable law, to the extent the lawyer *reasonably believes* necessary for any of the following purposes:

(1) to prevent reasonably certain death or substantial bodily harm;

(2) to prevent the commission of a crime by the client or other person;

(3) to mitigate *substantial* injury to the financial interests or property of another that has resulted from the client's commission of an *illegal* or *fraudulent* act, in furtherance of which the client has used the lawyer's services;

(4) to secure legal advice about the lawyer's compliance with these rules;

(5) to establish a claim or defense on behalf of the lawyer in a controversy between the lawyer and the client, to establish a defense to a criminal charge or civil claim against the lawyer based upon conduct in which the client was involved, or to respond to allegations in any proceeding, including any disciplinary matter, concerning the lawyer's representation of the client;

(6) to comply with other law or a court order.

(c) A lawyer shall reveal information relating to the representation of a client, including information protected by the attorney-client privilege under applicable law, to the extent the lawyer *reasonably believes* necessary to comply with Rule 3.3 or 4.1.

Comment

[1] This rule governs the disclosure by a lawyer of information relating to the representation of a client during the lawyer's representation of the client. See Rule 1.18 for the lawyer's duties with respect to information provided to the lawyer by a prospective client, Rule 1.9(c)(2) for the lawyer's duty not to reveal information relating to the lawyer's prior representation of a former client, and Rules 1.8(b) and 1.9(c)(1) for the lawyer's duties with respect to the use of such information to the disadvantage of clients and former clients.

[2] A fundamental principle in the client-lawyer relationship is that, in the absence of the client's informed consent, the lawyer must not reveal information relating to the representation. See Rule 1.0(f) for the definition of informed consent. This contributes to the trust that is the hallmark of the client-lawyer relationship. The client is thereby encouraged to seek legal assistance and to communicate fully and frankly with the lawyer even as to embarrassing or legally damaging subject matter. The lawyer needs this information to represent the client effectively and, if necessary, to advise the client to refrain from wrongful conduct. Almost without exception, clients come to lawyers in order to determine their rights and what is, in the complex of laws and regulations, deemed to be legal and correct.

[3] The principle of client-lawyer confidentiality is given effect by related bodies of law: the attorney-client privilege, the work-product doctrine, and the rule of confidentiality established in professional ethics. The attorney-client privilege and work-product doctrine apply in judicial and other proceedings in which a lawyer may be called as a witness or otherwise required to produce evidence concerning a client. The rule of client-lawyer confidentiality applies in situations other than those where evidence is sought from the lawyer through compulsion of law. The confidentiality rule, for example, applies not only to matters communicated in confidence by the client but also to all information relating to the representation, whatever its source. A lawyer may not disclose such information except as authorized or required by the Ohio Rules of Professional Conduct or other law. See also Scope.

[4] Division (a) prohibits a lawyer from revealing information relating to the representation of a client. This prohibition also applies to disclosures by a lawyer that do not in themselves reveal protected information but could reasonably lead to the discovery of such information by a third person. A lawyer's use of a hypothetical to discuss issues relating to the representation is permissible so long as there is no reasonable likelihood that the listener will be able to ascertain the identity of the client or the situation involved.

Authorized Disclosure

[5] Except to the extent that the client's instructions or special circumstances limit that authority, a lawyer is impliedly authorized to make disclosures about a client when appropriate in carrying out the

representation. In some situations, for example, a lawyer may be impliedly authorized to admit a fact that cannot properly be disputed or to make a disclosure that facilitates a satisfactory conclusion to a matter. Lawyers in a firm may, in the course of the firm's practice, disclose to each other information relating to a client of the firm, unless the client has instructed that particular information be confined to specified lawyers.

Disclosure Adverse to Client

[6] Permitting lawyers to reveal information relating to the representation of clients may create a chilling effect on the client-lawyer relationship, and discourage clients from revealing confidential information to their lawyers at a time when the clients should be making a full disclosure. Although the public interest is usually best served by a strict rule requiring lawyers to preserve the confidentiality of information relating to the representation of their clients, the confidentiality rule is subject to limited exceptions. Division (b)(1) recognizes the overriding value of life and physical integrity and permits disclosure reasonably necessary to prevent reasonably certain death or substantial bodily harm. Such harm is reasonably certain to occur if it will be suffered imminently or if there is a present and substantial threat that a person will suffer such harm at a later date if the lawyer fails to take action necessary to eliminate the threat. Thus, a lawyer who knows that a client has discharged toxic waste into a town's water supply may reveal this information to the authorities if there is a present and substantial risk that a person who drinks the water will contract a life-threatening or debilitating disease and the lawyer's disclosure is necessary to eliminate the threat or reduce the number of victims.

[7] Division (b)(2) recognizes the traditional "future crime" exception, which permits lawyers to reveal the information necessary to prevent the commission of the crime by a client or a third party.

[8] Division (b)(3) addresses the situation in which the lawyer does not learn of the illegal or fraudulent act of a client until after the client has used the lawyer's services to further it. Although the client no longer has the option of preventing disclosure by refraining from the wrongful conduct [see Rule 4.1], there will be situations in which the loss suffered by the affected person can be mitigated. In such situations, the lawyer may disclose information relating to the representation to the extent necessary to enable the affected persons to mitigate or recoup their losses. Division (b)(3) does not apply when a person is accused of or has committed an illegal or fraudulent act and thereafter employs a lawyer for representation concerning that conduct. In addition, division (b)(3) does not apply to a lawyer who has been engaged by an organizational client to investigate an alleged violation of law by the client or a constituent of the client.

[9] A lawyer's confidentiality obligations do not preclude a lawyer from securing confidential legal advice about the lawyer's personal responsibility to comply with these rules. In most situations, disclosing information to secure such advice will be impliedly authorized for the lawyer to carry out the representation. Even when the disclosure is not impliedly authorized, division (b)(4) permits such disclosure because of the importance of a lawyer's compliance with the Ohio Rules of Professional Conduct.

[10] Where a legal claim or disciplinary charge alleges complicity of the lawyer in the conduct of a client or a former client or other misconduct of the lawyer involving representation of the client or a former client, the lawyer may respond to the extent the lawyer reasonably believes necessary to establish a defense. Such a charge can arise in a civil, criminal, disciplinary, or other proceeding and can be based on a wrong allegedly committed by the lawyer against the client or on a wrong alleged by a third person, for example, a person claiming to have been defrauded by the lawyer and client acting together. The lawyer's right to respond arises when an assertion of such complicity has been made. Division (b)(5) does not require the lawyer to await the commencement of an action or proceeding that charges such complicity, so that the defense may be established by responding directly to a third party who has made such an assertion. The right to defend also applies, of course, where a proceeding has been commenced.

[11] A lawyer entitled to a fee is permitted by division (b)(5) to prove the services rendered in an action to collect it. This aspect of the rule expresses the principle that the beneficiary of a fiduciary relationship may not exploit it to the detriment of the fiduciary.

[12] Other law may require that a lawyer disclose information about a client. Whether such a law supersedes Rule 1.6 is a question of law beyond the scope of these rules. When disclosure of information

relating to the representation appears to be required by other law, the lawyer must discuss the matter with the client to the extent required by Rule 1.4. If, however, the other law supersedes this rule and requires disclosure, division (b)(6) permits the lawyer to make such disclosures as are necessary to comply with the law.

[13] A lawyer may be ordered to reveal information relating to the representation of a client by a court or by another tribunal or governmental entity claiming authority pursuant to other law to compel the disclosure. Absent informed consent of the client to do otherwise, the lawyer should assert on behalf of the client all nonfrivolous claims that the order is not authorized by other law or that the information sought is protected against disclosure by the attorney-client privilege or other applicable law. In the event of an adverse ruling, the lawyer must consult with the client about the possibility of appeal to the extent required by Rule 1.4. Unless review is sought, however, division (b)(6) permits the lawyer to comply with the court's order.

[14] Division (b) permits disclosure only to the extent the lawyer reasonably believes the disclosure is necessary to accomplish one of the purposes specified. Where practicable, the lawyer should first seek to persuade the client to take suitable action to obviate the need for disclosure. A disclosure adverse to the client's interest should be no greater than the lawyer reasonably believes necessary to accomplish the purpose. If the disclosure will be made in connection with a judicial proceeding, the disclosure should be made in a manner that limits access to the information to the tribunal or other persons having a need to know it and appropriate protective orders or other arrangements should be sought by the lawyer to the fullest extent practicable. Before making a disclosure under division (b)(1), (2), or (3), a lawyer for an organization should ordinarily bring the issue of taking suitable action to higher authority within the organization, including, if warranted by the circumstances, to the highest authority that can act on behalf of the organization as determined by applicable law.

[15] Division (b) permits but does not require the disclosure of information relating to a client's representation to accomplish the purposes specified in divisions (b)(1) through (b)(6). In exercising the discretion conferred by this rule, the lawyer may consider such factors as the nature of the lawyer's relationship with the client and with those who might be injured by the client, the lawyer's own involvement in the transaction, and factors that may extenuate the conduct in question. A lawyer's decision not to disclose as permitted by division (b) does not violate this rule. Disclosure may be required, however, by other rules. Some rules require disclosure only if such disclosure would be permitted by division (b). See Rules 4.1(b), 8.1 and 8.3. Rule 3.3, on the other hand, requires disclosure in some circumstances regardless of whether such disclosure is permitted by this rule.

Acting Competently to Preserve Confidentiality

[16] A lawyer must act competently to safeguard information relating to the representation of a client against inadvertent or unauthorized disclosure by the lawyer or other persons who are participating in the representation of the client or who are subject to the lawyer's supervision. See Rules 1.1, 5.1, and 5.3.

[17] When transmitting a communication that includes information relating to the representation of a client, the lawyer must take reasonable precautions to prevent the information from coming into the hands of unintended recipients. This duty, however, does not require that the lawyer use special security measures if the method of communication affords a reasonable expectation of privacy. Special circumstances, however, may warrant special precautions. Factors to be considered in determining the reasonableness of the lawyer's expectation of confidentiality include the sensitivity of the information and the extent to which the privacy of the communication is protected by law or by a confidentiality agreement. A client may require the lawyer to implement special security measures not required by this rule or may give informed consent to the use of a means of communication that would otherwise be prohibited by this rule.

Former Client

[18] The duty of confidentiality continues after the client-lawyer relationship has terminated. See Rule 1.9(c)(2). See Rule 1.9(c)(1) for the prohibition against using such information to the disadvantage of the former client.

RULE 1.7: CONFLICT OF INTEREST: CURRENT CLIENTS

(a) A lawyer's acceptance or continuation of representation of a client creates a conflict of interest if either of the following applies:

(1) the representation of that client will be directly adverse to another current client;

(2) there is a *substantial* risk that the lawyer's ability to consider, recommend, or carry out an appropriate course of action for that client will be materially limited by the lawyer's responsibilities to another client, a former client, or a third person or by the lawyer's own personal interests.

(b) A lawyer shall not accept or continue the representation of a client if a conflict of interest would be created pursuant to division (a) of this rule, unless all of the following apply:

(1) the lawyer will be able to provide competent and diligent representation to each affected client;

(2) each affected client gives *informed consent, confirmed in writing*;

(3) the representation is not precluded by division (c) of this rule.

(c) Even if each affected client consents, the lawyer shall not accept or continue the representation if either of the following applies:

(1) the representation is prohibited by law;

(2) the representation would involve the assertion of a claim by one client against another client represented by the lawyer in the same proceeding.

Comment

General Principles

[1] The principles of loyalty and independent judgment are fundamental to the attorney-client relationship and underlie the conflict of interest provisions of these rules. Neither the lawyer's personal interest, the interests of other clients, nor the desires of third persons should be permitted to dilute the lawyer's loyalty to the client. All potential conflicts of interest involving a new or current client must be analyzed under this rule. In addition, a lawyer must consider whether any of the specific rules in Rule 1.8, regarding certain conflicts of interest involving current clients, applies. For former clients, see Rule 1.9; for conflicts involving those who have consulted a lawyer about representation but did not retain that lawyer, see Rule 1.18. [analogous to Model Rule Comment 1]

[2] In order to analyze and resolve a conflict of interest problem under this rule, a lawyer must: (1) clearly identify the client or clients; (2) determine whether a conflict of interest exists; (3) decide whether the representation is barred by either criteria of division (c); (4) evaluate, under division (b)(1), whether the lawyer can competently and diligently represent all clients affected by the conflict of interest; and (5) if representation is otherwise permissible, consult with the clients affected by the conflict and obtain the informed consent of each of them, confirmed in writing. [analogous to Model Rule Comment 2]

[3] To determine whether a conflict of interest would be created by accepting or continuing a representation, a lawyer should adopt reasonable procedures, appropriate for the size and type of firm and practice, for collecting and reviewing information about the persons and issues in all matters handled by the lawyer. See also Comment to Rule 5.1. Ignorance caused by a failure to institute or follow such procedures will not excuse a lawyer's violation of this rule. [derived from Model Rule Comment 3]

[4] A lawyer must decline a new representation that would create a conflict of interest, unless representation is permitted under division (b). [derived from Model Rule Comment 3]

[5] If unforeseeable developments, such as changes in corporate and other organizational affiliations or the addition or realignment of parties in litigation, create a conflict of interest during a representation, the lawyer must withdraw from representation unless continued representation is permissible under divisions (b)(1) and (c) and the lawyer obtains informed consent, confirmed in writing, of each affected client under the conditions of division (b)(2). See Rule 1.16. [analogous to a portion of Model Rule Comment 4]

[6] Just as conflicts can emerge in the course of a representation, the nature of a known conflict of interest can change in the course of a representation. For example, the proposed joint representation of a driver and her passenger to sue a person believed to have caused a traffic accident may initially present only a material limitation conflict, as to which the proposed clients may give informed consent. However, if the lawyer's investigation suggests that the driver may be at fault, the interests of the driver and the passenger are then directly adverse, and the joint representation cannot be continued. A lawyer must be alert to the possibility that newly acquired information requires reevaluating of a conflict of interest, and taking different steps to resolve it. [derived from Model Rule Comment 5]

[7] When a lawyer withdraws from representation in order to avoid a 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 also continue to protect the confidences of the client from whose representation the lawyer has withdrawn. See Rule 1.9(c). [analogous to a portion of Model Rule Comment 5]

[8] When a conflict arises from a lawyer's representation of more than one client, whether the lawyer must withdraw from representing all affected clients or may continue to represent one or more of them depends upon whether: (1) the lawyer can both satisfy the duties owed to the former client and adequately represent the remaining client or clients, given the lawyer's duties to the former client (see Rule 1.9); and (2) any necessary client consent is obtained. [analogous to a portion of Model Rule Comment 4]

Identifying the Client

[9] In large part, principles of substantive law outside these rules determine whether a client-lawyer relationship exists or is continuing. See Scope [17]. These rules, including Rules 1.2, 1.8(f)(2), 1.13, and 6.5, must also be considered.

Identifying Conflicts of Interest: Directly Adverse Representation

[10] The concurrent representation of clients whose interests are directly adverse always creates a conflict of interest. A directly adverse conflict can occur in a litigation or transactional setting. [derived from Model Rule Comment 6]

[11] *In litigation.* The representation of one client is directly adverse to another in litigation when one of the lawyer's clients is asserting a claim against another client of the lawyer. A directly adverse conflict also may arise when effective representation of a client who is a party in a lawsuit requires a lawyer to cross-examine another client, represented in a different matter, who appears as a witness in the suit. A lawyer may not represent, in the same proceeding, clients who are directly adverse in that proceeding. See Rule 1.7(c)(2). Further, absent consent, a lawyer may not act as an advocate in one proceeding against a person the lawyer represents in some other matter, even when the matters are wholly unrelated. [derived from Model Rule Comment 6]

[12] *Class-action conflicts.* When a lawyer represents or seeks to represent a class of plaintiffs or defendants in a class-action lawsuit, unnamed members of the class are ordinarily not considered to be clients of the lawyer for purposes of applying division (a)(1) of this rule. Thus, the lawyer does not typically need to get the consent of an unnamed class member before representing a client suing the person in an unrelated matter. Similarly, a lawyer seeking to represent an opponent in a class action does not typically need the consent of an

unnamed member of the class whom the lawyer represents in an unrelated matter. [analogous to Model Rule Comment 25]

[13] *In transactional and counseling practice.* The representation of one client can be directly adverse to another in a transactional matter. For example, a buyer and a seller or a borrower and a lender are directly adverse with respect to the negotiation of the terms of the sale or loan. [*Stark County Bar Assn v. Ergazos* (1982), 2 Ohio St. 3d 59; *Columbus Bar v. Ewing* (1992), 63 Ohio St. 3d 377]. If a lawyer is asked to represent the seller of a business in negotiations with a buyer whom the lawyer represents in another, unrelated matter, the lawyer cannot undertake the new representation without the informed, written consent of each client. [analogous to Model Rule Comment 7]

Identifying Conflicts of Interest: Material Limitation Conflicts

[14] Even where clients are not directly adverse, a conflict of interest exists if there is a substantial risk that a lawyer's ability to consider, recommend, or carry out an appropriate course of action for the client will be materially limited as a result of the lawyer's other responsibilities or interests. The mere possibility of subsequent harm does not, itself, require disclosure and consent. The critical questions are: (1) whether a difference in interests between the client and lawyer or between two clients exists or is likely to arise; and (2) if it does, whether this difference in interests will materially interfere with the lawyer's independent professional judgment in considering alternatives or foreclose courses of action that reasonably should be pursued on behalf of any affected client. [analogous to Model Rule Comment 8]

Lawyer's Responsibility to Current Clients-Same Matter

[15] *In litigation.* A "material limitation" conflict exists when a lawyer represents co-plaintiffs or co-defendants in litigation and there is a substantial discrepancy in the clients' testimony, incompatible positions in relation to another party, potential cross-claims, or substantially different possibilities of settlement of the claims or liabilities in question. Such conflicts can arise in criminal cases as well as civil. The potential for conflict of interest in representing multiple defendants in a criminal matter is so grave that ordinarily a lawyer should decline to represent more than one co-defendant. On the other hand, common representation of persons having similar interests in civil litigation is proper if the requirements of division (b) are met. [analogous to Model Rule Comment 23]

[16] *In transactional practice.* In transactional and counseling practice, the potential also exists for material limitation conflicts in representing multiple clients in regard to one matter. Depending upon the circumstances, a material limitation conflict of interest may be present. Relevant factors in determining whether there is a material limitation conflict include the nature of the clients' respective interests in the matter, the relative duration and intimacy of the lawyer's relationship with each client involved, the functions being performed by the lawyer, the likelihood that disagreements will arise, and the likely prejudice to each client from the conflict. These factors and others will also be relevant to the lawyer's analysis of whether the lawyer can competently and diligently represent all clients in the matter, and whether the lawyer can make the disclosures to each client necessary to secure each client's informed consent. See Comments 24-30. [analogous to a portion of Model Rule Comment 26]

Lawyer's Responsibility to Current Client-Different Matters

[17] A material limitation conflict between the interests of current clients can sometimes arise when the lawyer represents each client in different matters. Simultaneous representation, in unrelated matters, of clients whose business or personal interests are only generally adverse, such as competing enterprises, does not present a material limitation conflict. Furthermore, a lawyer may ordinarily take inconsistent legal positions at different times on behalf of different clients. However, a material limitation conflict of interest exists, for example, if there is a substantial risk that a lawyer's action on behalf of one client in one case will materially limit the lawyer's effectiveness in concurrently representing another client in a different case. For example, there is a material limitation conflict if a decision for which the lawyer must advocate on behalf of one client in one case will create a precedent likely to seriously weaken the position taken on behalf of another client in another case. Factors relevant in determining whether there is a material limitation of which the clients must be

advised and for which consent must be obtained include: (1) where the cases are pending; (2) whether the issue is substantive or procedural; (3) the temporal relationship between the matters; (4) the significance of the issue to the immediate and long-term interests of the clients involved; and (5) the clients' reasonable expectations in retaining the lawyer. [derived from Model Rule Comments 6 and 24]

Lawyer's Responsibilities to Former Clients and Other Third Persons

[18] A lawyer's duties of loyalty and independence may be materially limited by responsibilities to former clients under Rule 1.9 or by the lawyer's responsibilities to other persons, such as family members or persons to whom the lawyer, in the capacity of a trustee, executor, or corporate director, owes fiduciary duties. [Model Rule Comment 9]

[19] If a lawyer for a corporation or other organization serves as a member of its board of directors, the dual roles may present a "material limitation" conflict. For example, a lawyer's ability to assure the corporate client that its communications with counsel are privileged may be compromised if the lawyer is also a board member. Alternatively, in order to participate fully as a board member, a lawyer may have to decline to advise or represent the corporation in a matter. Before starting to serve as a director of an organization, a lawyer must take the steps specified in division (b), considering whether the lawyer can adequately represent the organization if the lawyer serves as a director and, if so, reviewing the implications of the dual role with the board and obtaining its consent. Even with consent to the lawyer's acceptance of a dual role, if there is a material risk in a given situation that the dual role will compromise the lawyer's independent judgment or ability to consider, recommend, or carry out an appropriate course of action, the lawyer should abstain from participating as a director or withdraw as the corporation's lawyer as to that matter. [analogous to Model Rule Comment 35]

Personal Interest Conflicts

[20] *Types of personal interest.* The lawyer's own interests should not be permitted to have an adverse effect on representation of a client. For example, if the probity of a lawyer's own conduct in a transaction is in serious question, the lawyer may have difficulty or be unable to give a client detached advice in regard to the same manner. Similarly, when a lawyer has discussions concerning possible employment with an opponent of the lawyer's client, or with a law firm representing the opponent, such discussions could materially limit the lawyer's representation of the client. A lawyer should not allow related business interests to affect representation, for example, by referring clients to an enterprise in which the lawyer has an undisclosed financial interest. See Rule 1.8 for specific rules pertaining to certain personal interest conflicts, including business transactions with clients. See also Rule 1.10 (personal interest conflicts under Rule 1.7 ordinarily are not imputed to other lawyers in a law firm). [Model Rule Comment 10]

[21] *Related lawyers.* When lawyers who are closely related by blood or marriage represent different clients in the same matter or in substantially related matters, there may be a substantial risk that client confidences will be revealed and that the lawyer's family relationship will interfere with both loyalty and independent professional judgment. As a result, each client is entitled to know of the existence and implications of the relationship between the lawyers before the lawyer agrees to undertake the representation. Thus, a lawyer related to another lawyer, *e.g.*, as parent, child, sibling, or spouse, ordinarily may not represent a client in a matter where the related lawyer represents another party, unless each client gives informed, written consent. The disqualification arising from a close family relationship is personal and ordinarily is not imputed to members of firms with whom the lawyers are associated. See Rule 1.10. [Model Rule Comment 11]

[22] *Sexual activity with clients.* A lawyer is prohibited from engaging in sexual activity with a current client unless the sexual relationship predates the formation of the client-lawyer relationship. See Rule 1.8(j). [Model Rule Comment 12]

Interest of Person Paying for a Lawyer's Service

[23] A lawyer may be paid from a source other than the client, including a co-client, if the client is informed of that fact and consents and the arrangement does not compromise the lawyer's duty of loyalty or

independent judgment to the client. See Rule 1.8(f), and the special notice requirement for clients of insurance defense counsel in Rule 1.8(f)(4). If acceptance of the payment from any other source presents a substantial risk that the lawyer's representation of the client will be materially limited by the lawyer's own interest in accommodating the person paying the lawyer's fee or by the lawyer's responsibilities to a payer who is also a co-client, then the lawyer must comply with the requirements of division (b) before accepting the representation. [analogous to Model Rule Comment 13]

Adequacy of Representation Burdened by a Conflict

[24] After a lawyer determines that accepting or continuing a representation entails a conflict of interest, the lawyer must assess whether the lawyer can provide competent and diligent representation to each affected client consistent with the lawyer's duties of loyalty and independent judgment. When the lawyer is representing more than one client, the question of adequacy of representation must be resolved as to each client. [derived from Model Rule Comment 15]

Special Considerations in Common Representation

[25] In considering whether to represent multiple clients in the same matter, a lawyer should be mindful that if the common representation fails because the potentially adverse interests cannot be reconciled, the result can be additional cost, embarrassment, and recrimination. Ordinarily, the lawyer will be forced to withdraw from representing all of the clients if the common representation fails. In some situations, the risk of failure is so great that multiple representation is plainly impossible. For example, a lawyer cannot undertake common representation of clients where contentious litigation or negotiations between them are imminent or contemplated. Moreover, because the lawyer is required to be impartial between commonly represented clients, representation of multiple clients is improper when it is unlikely that impartiality can be maintained. Generally, if the relationship between the parties is antagonistic, the possibility that the clients' interests can be adequately served by common representation is low. Other relevant factors are whether the lawyer subsequently will represent both parties on a continuing basis and whether the situation involves creating or terminating a relationship between the parties. [Model Rule Comment 29]

[26] Particularly important factors in determining the appropriateness of common representation are the effect on client-lawyer confidentiality and the attorney-client privilege. With regard to the attorney-client privilege, the prevailing rule is that, as between commonly represented clients, the privilege does not attach. Hence, it must be assumed that if litigation does later occur between the clients, the privilege will not protect communications made on the subject of the joint representation, while it is in effect, and the clients should be so advised. [Model Rule Comment 30]

[27] As to the duty of confidentiality, continued common representation will almost certainly be inadequate if one client asks the lawyer not to disclose to the other client information relevant to the common representation. This is so because the lawyer has an equal duty of loyalty to each client, and each client has the right to be informed of anything bearing on the representation that might affect the client's interests and the right to expect that the lawyer will use that information to that client's benefit. See Rule 1.4. The lawyer should, at the outset of the common representation and as part of the process of obtaining each client's informed consent, advise each client that information will be shared and that the lawyer will have to withdraw if one client decides that some matter material to the representation should be kept from the other. In limited circumstances, it may be appropriate for the lawyer to proceed with the representation when the clients have agreed, after being properly informed, that the lawyer will keep certain information confidential. For example, the lawyer may reasonably conclude that failure to disclose one client's trade secrets to another client will not adversely affect representation on behalf of a joint venture between the clients and agree to keep that information confidential with the informed consent of both clients. [Model Rule Comment 31]

[28] Any limitations on the scope of the representation made necessary as a result of the common representation must be fully explained to the clients at the outset of the representation and communicated to the client, preferably in writing. See Rule 1.2(c). Subject to such limitations, each client in a common representation has the right to loyal and diligent representation and to the protection of Rule 1.9 concerning the

obligations to a former client. Each client also has the right to discharge the lawyer as stated in Rule 1.16. [analogous to Model Rule Comments 32 and 33]

Informed Consent

[29] Informed consent requires that each affected client be aware of the relevant circumstances and of the material and reasonably foreseeable ways that a conflict could have adverse effects on the interests of that client. See Rule 1.0(f). The information required depends on the nature of the conflict and the nature of the risks involved. When representation of multiple clients in a single matter is undertaken, the information must include the advantages and risks of the common representation, including possible effects on loyalty, confidentiality, and the attorney-client privilege. [Model Rule Comment 18]

[30] Under some circumstances it may be impossible to make the disclosure necessary to obtain consent. For example, when the lawyer represents different clients in related matters and one of the clients refuses to consent to the disclosure necessary to permit the other client to make an informed decision, the lawyer cannot properly ask the latter to consent. [analogous to Model Rule Comment 19]

Consent Confirmed in Writing

[31] Division (b)(2) requires the lawyer to obtain the informed consent of the client, confirmed in writing. Such a writing may consist of a document signed by the client or one that the lawyer promptly records and transmits to the client following an oral consent. See Rule 1.0(b) and (p) (writing includes electronic transmission). If it is not feasible to obtain or transmit the writing at the time the client gives informed consent, then the lawyer must obtain or transmit it within a reasonable time thereafter. See Rule 1.0(b). Written confirmation of consent does not supplant the need, in most cases, for the lawyer to talk with the client: (1) to explain the risks and advantages, if any, of representation burdened with a conflict of interest, as well as reasonably available alternatives; and (2) to afford the client a reasonable opportunity to consider the risks and alternatives and to raise questions and concerns. The writing is required in order to impress upon clients the seriousness of the decision the client is being asked to make and to avoid disputes or ambiguities that might later occur in the absence of written consent. [Model Rule Comment 20]

Revoking Consent

[32] A client who has given consent to a conflict may revoke the consent and, like any other client, may terminate the lawyer's representation at any time. Whether revoking consent to the client's own representation precludes the lawyer from continuing to represent other clients depends on the circumstances, including the nature of the conflict, whether the client revoked consent because of a material change in circumstances, the reasonable expectations of the other clients and whether material detriment to the other clients or the lawyer would result. [Model Rule Comment 21]

Consent to Future Conflict

[33] Whether a lawyer may properly request a client to waive conflicts that might arise in the future is subject to the test of division (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 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, except when it is reasonably likely that the client will have understood the material risks involved. Such exceptional circumstances might be presented if the client is an experienced user of the legal services involved and is reasonably informed regarding the risk that a conflict may arise, particularly if 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 a waiver prohibited under division (b). [Model Rule Comment 22]

Prohibited Representations

[34] Often, clients may be asked to consent to representation notwithstanding a conflict. However, as indicated in divisions (c)(1) and (2) some conflicts cannot be waived as a matter of law, and the lawyer involved cannot properly ask for such agreement or provide representation on the basis of the client's consent. [analogous to Model Rule Comment 14]

[35] Before requesting a conflict waiver from one or more clients in regard to a matter, a lawyer must determine whether either division (c)(1) or (2) bars the representation, regardless of waiver.

[36] As provided by division (c)(1), certain conflicts cannot be waived as a matter of law. For example, the Supreme Court of Ohio has ruled that regardless of client consent, a lawyer may not represent both husband and wife in the preparation of a separation agreement. [*Columbus Bar Assn v. Grelle* (1968), 14 Ohio St.2d 208] Similarly, federal criminal statutes prohibit certain representations by a former government lawyer, despite the informed consent of the former client. [analogous to Model Rule Comment 16]

[37] Division (c)(2) bars representation, in the same proceeding, of clients who are directly adverse because of the institutional interest in vigorous development of each client's position. A lawyer may not represent both a claimant and the party against whom the claim is asserted whether in proceedings before a tribunal or in negotiations or mediation of a claim pending before a tribunal. [derived from Model Rule Comment 17]

[38] Division (c)(2) does not address all nonconsentable conflicts. Some conflicts are nonconsentable because a lawyer cannot represent both clients competently and diligently or both clients cannot give informed consent. For example, a lawyer may not represent multiple parties to a negotiation whose interests are fundamentally antagonistic, regardless of their consent. [derived from Model Rule Comment 28]

RULE 1.9: DUTIES TO FORMER CLIENTS

(a) Unless the former client gives *informed consent, confirmed in writing*, a lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a *substantially related matter* in which that person's interests are materially adverse to the interests of the former client.

(b) Unless the former client gives *informed consent, confirmed in writing*, a lawyer shall not *knowingly* represent a person in the same or a *substantially related matter* in which a *firm* with which the lawyer formerly was associated had previously represented a client where both of the following apply:

(1) the interests of the client are materially adverse to that person;

(2) the lawyer had acquired information about the client that is protected by Rules 1.6 and 1.9(c) and material to the matter.

(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 do either of the following:

(1) use information relating to the representation to the disadvantage of the former client except as these rules would permit or require with respect to a client or when the information has become generally *known*;

(2) reveal information relating to the representation except as these rules would permit or require with respect to a client.

Comment

[1] After termination of a client-lawyer relationship, a lawyer has certain continuing duties with respect to confidentiality and conflicts of interest and thus may not represent another client except in conformity with this rule. Under this rule, for example, a lawyer could not properly seek to rescind on behalf of a new client a contract drafted on behalf of the former client. So also a lawyer who has prosecuted an accused person could not properly represent the accused in a subsequent civil action against the government concerning the same transaction. Nor could a lawyer who has represented multiple clients in a matter represent one of the clients against the others in the same or a substantially related matter after a dispute arose among the clients in that matter, unless all affected clients give informed consent, confirmed in writing. See Comment [9]. Current and former government lawyers must comply with this rule to the extent required by Rule 1.11.

[2] The scope of a "matter" for purposes of this rule depends on the facts of a particular situation or transaction. The lawyer's involvement in a matter can also be a question of degree. When a lawyer has been directly involved in a specific transaction, subsequent representation of other clients with materially adverse interests in that transaction clearly is prohibited. On the other hand, a lawyer who recurrently handled a type of problem for a former client is not precluded from later representing another client in a factually distinct problem of that type even though the subsequent representation involves a position adverse to the prior client. Similar considerations can apply to the reassignment of military lawyers between defense and prosecution functions within the same military jurisdictions. The underlying question is whether the lawyer was so involved in the matter that the subsequent representation can be justly regarded as a changing of sides in the matter in question. For a former government lawyer, "matter" is defined in Rule 1.11(e).

[3] See Rule 1.0(n) for a definition of "substantially related matter". For example, a lawyer who has represented a businessperson and learned extensive private financial information about that person may not then represent that person's spouse in seeking a divorce. Similarly, a lawyer who has previously represented a client in securing environmental permits to build a shopping center would be precluded from representing neighbors seeking to oppose rezoning of the property on the basis of environmental considerations; however, the lawyer would not be precluded, on the grounds of substantial relationship, from defending a tenant of the completed shopping center in resisting eviction for nonpayment of rent. Information that has been disclosed to the public or to other parties adverse to the former client ordinarily will not be disqualifying. Information acquired in a prior representation may have been rendered obsolete by the passage of time, a circumstance that may be relevant in determining whether two representations are substantially related. In the case of an organizational client, general knowledge of the client's policies and practices ordinarily will not preclude a subsequent representation; on the other hand, knowledge of specific facts gained in a prior representation that are relevant to the matter in question ordinarily will preclude such a representation. A former client is not required to reveal the confidential information learned by the lawyer in order to establish a substantial risk that the lawyer has confidential information to use in the subsequent matter. A conclusion about the possession of such information may be based on the nature of the services the lawyer provided the former client and information that would in ordinary practice be learned by a lawyer providing such services.

Lawyers Moving Between Firms

[4] When lawyers have been associated within a firm but then end their association, the question of whether a lawyer should undertake representation is more complicated. There are several competing considerations. First, the client previously represented by the former firm must be reasonably assured that the principle of loyalty to the client is not compromised. Second, the rule should not be so broadly cast as to preclude other persons from having reasonable choice of legal counsel. Third, the rule should not unreasonably hamper lawyers from forming new associations and taking on new clients after having left a previous association. In this connection, it should be recognized that today many lawyers practice in firms, that many lawyers to some degree limit their practice to one field or another, and that many move from one association to another several times in their careers. If the concept of imputation were applied with unqualified rigor, the result would be radical curtailment of the opportunity of lawyers to move from one practice setting to another and of the opportunity of clients to change counsel.

[5] Division (b) operates to disqualify the lawyer only when the lawyer involved has actual knowledge of information protected by Rules 1.6 and 1.9(c). Thus, if a lawyer while with one firm acquired no

knowledge or information relating to a particular client of the firm, and that lawyer later joined another firm, neither the lawyer individually nor the second firm is disqualified from representing another client in the same or a related matter even though the interests of the two clients conflict. See Rule 1.10(b) for the restrictions on a firm once a lawyer has terminated association with the firm.

[6] Application of division (b) depends on a situation's particular facts, aided by inferences, deductions, or working presumptions that reasonably may be made about the way in which lawyers work together. A lawyer may have general access to files of all clients of a law firm and may regularly participate in discussions of their affairs; it should be inferred that such a lawyer in fact is privy to all information about all the firm's clients. In contrast, another lawyer may have access to the files of only a limited number of clients and participate in discussions of the affairs of no other clients; in the absence of information to the contrary, it should be inferred that such a lawyer in fact is privy to information about the clients actually served but not those of other clients. In such an inquiry, the burden of proof should rest upon the lawyer whose disqualification is sought.

[7] Independent of the question of disqualification of a firm, a lawyer changing professional association has a continuing duty to preserve confidentiality of information about a client formerly represented. See Rules 1.6 and 1.9(c).

[8] Division (c) provides that information acquired by the lawyer in the course of representing a client may not subsequently be used or revealed by the lawyer to the disadvantage of the client. However, the fact that a lawyer has once served a client does not preclude the lawyer from using generally known information about that client when later representing another client.

[9] The provisions of this rule are for the protection of former clients and can be waived if the client gives informed consent, which consent must be confirmed in writing under divisions (a) and (b). See Rule 1.0(f). With regard to the effectiveness of an advance waiver, see Comment [33] to Rule 1.7. With regard to disqualification of a firm with which a lawyer is or was formerly associated, see Rule 1.10.

RULE 1.10: IMPUTATION OF CONFLICTS OF INTEREST: GENERAL RULE

(a) While lawyers are associated in a *firm*, none of them shall represent a client when the lawyer *knows* or *reasonably should know* that any one of them practicing alone would be prohibited from doing so by Rule 1.7 or 1.9, unless the prohibition is based on a personal interest of the prohibited lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the *firm*.

(b) When a lawyer is no longer associated with a *firm*, no lawyer in that *firm* shall thereafter represent a person with interests materially adverse to those of a client represented by the formerly associated lawyer and not currently represented by the *firm*, if the lawyer *knows* or *reasonably should know* that either of the following applies:

(1) the formerly associated lawyer represented the client in the same or a *substantially related matter*;

(2) any lawyer remaining in the *firm* has information protected by Rules 1.6 and 1.9(c) that is material to the matter.

(c) When a lawyer has had *substantial* responsibility in a matter for a former client and becomes associated with a new *firm*, no lawyer in the new *firm* shall *knowingly* represent, in the same matter, a person whose interests are materially adverse to the interests of the former client.

(d) In circumstances other than those covered by Rule 1.10(c), when a lawyer becomes associated with a new *firm*, no lawyer in the new *firm* shall *knowingly* represent a person in a matter in which the lawyer is personally disqualified under Rule 1.9 unless both of the following apply:

(1) the new *firm* timely *screens* the personally disqualified lawyer from any participation in the matter and that lawyer is apportioned no part of the fee from that matter;

(2) *written* notice is given as soon as practicable to any affected former client.

(e) A disqualification required by this rule may be waived by the affected client under the conditions stated in Rule 1.7.

(f) The disqualification of lawyers associated in a *firm* with former or current government lawyers is governed by Rule 1.11.

Comment

Definition of "Firm"

[1] For purposes of the Ohio Rules of Professional Conduct, the term "firm" denotes lawyers associated in a law partnership, professional corporation, sole proprietorship, or other association authorized to practice law; or lawyers employed in a legal services organization or the legal department of a corporation or other organization. See Rule 1.0(c). Whether two or more lawyers constitute a firm within this definition can depend on the specific facts. See Rule 1.0, Comments [2] - [4A].

Principles of Imputed Disqualification

[2] The rule of imputed disqualification stated in division (a) gives effect to the principle of loyalty to the client as it applies to lawyers who practice in a law firm. Such situations can be considered from the premise that a firm of lawyers is essentially one lawyer for purposes of the rules governing loyalty to the client, or from the premise that each lawyer is vicariously bound by the obligation of loyalty owed by each lawyer with whom the lawyer is associated. Division (a) operates only among the lawyers currently associated in a firm. When a lawyer moves from one firm to another, imputation of that lawyer's conflict to the lawyers remaining in the firm is governed by Rules 1.9(b) and 1.10(b).

[3] The rule in division (a) does not prohibit representation where neither questions of client loyalty nor protection of confidential information are presented. Where the usual concerns justifying imputation are not present, the rule eliminates imputation in the case of conflicts between the interests of a client and a lawyer's own personal interest. Note that the specific personal conflicts governed by Rule 1.8 are imputed to the firm by Rule 1.8(k). Where one lawyer in a firm could not effectively represent a given client because of strong political beliefs, for example, but that lawyer will do no work on the case and the personal beliefs of the lawyer will not materially limit the representation by others in the firm, the firm should not be disqualified. On the other hand, if an opposing party in a case were owned by a lawyer in the law firm, and others in the firm would be materially limited in pursuing the matter because of loyalty to that lawyer, the personal disqualification of the lawyer would be imputed to all others in the firm.

[4] The rule in division (a) also does not prohibit representation by others in the law firm where the person prohibited from involvement in a matter is a nonlawyer, such as a paralegal or legal secretary. Nor does division (a) prohibit representation if the lawyer is prohibited from acting because of events before the person became a lawyer, for example, work that the person did while a law student. Such persons, however, ordinarily must be screened from any personal participation in the matter to avoid communication to others in the firm of confidential information that both the nonlawyers and the firm have a legal duty to protect. See Rules 1.0(l) and 5.3.

[5] Rule 1.10(b) prohibits lawyers in a law firm from representing a person with interests directly adverse to those of a client represented by a lawyer who formerly was associated with the firm where the matter

is the same or substantially related to that in which the formerly associated lawyer represented the client or any other lawyer currently in the firm has material information protected by Rule 1.6 or 1.9(c). "Substantially related matter" is defined in Rule 1.0(n), and examples are given in Rule 1.9, Comment [3].

Removing Imputation

[5A] Divisions (c) and (d) address imputation to lawyers in a new firm when a personally disqualified lawyer moves from one law firm to another. Division (c) imputes the conflict of a lawyer who has had substantial responsibility in a matter to all lawyers in a law firm to which the lawyer moves and prohibits the new law firm from assuming or continuing the representation of a client in the same matter if the client's interests are materially adverse to those of the former client. Division (d) provides for removal of imputation of a former client conflict of one lawyer to a new firm in all other instances in which a personally disqualified lawyer moves from one firm to another, provided that the personally disqualified lawyer is properly screened from participation in the matter and the former client or client's counsel is given notice.

[5B] Screening is not effective to avoid imputed disqualification of other lawyers in the firm if the personally disqualified lawyer had substantial responsibility for representing the former client in the same matter in which the lawyer's new firm represents an adversary of the former client. A lawyer who was sole or lead counsel for a former client in a matter had substantial responsibility for the matter. Determining whether a lawyer's role in representing the former client was substantial in other circumstances involves consideration of such factors as the lawyer's level of responsibility in the matter, the duration of the lawyer's participation, the extent to which the lawyer advised or had personal contact with the former client and the former client's personnel, and the extent to which the lawyer was exposed to confidential information of the former client likely to be material in the matter.

[5C] Requirements for effective screening procedures are stated in Rule 1.0(l). Division (d) does not prohibit the screened lawyer from receiving compensation established by prior independent agreement, but that lawyer may not receive compensation directly related to the matter in which the lawyer is disqualified.

[5D] Notice of the screened lawyer's prior representation and that screening procedures have been employed, generally should be given as soon as practicable after the need for screening becomes apparent. When disclosure is likely to significantly injure the current client, a reasonable delay may be justified.

[5E] Screening will not remove imputation where screening is not timely undertaken, or where the circumstances provide insufficient assurance that confidential information known by the personally disqualified lawyer will remain protected. Factors to be considered in deciding whether an effective screen has been created are the size and structure of the firm, the likelihood of contact between the disqualified lawyer and lawyers involved in the current representation, and the existence of safeguards or procedures that prevent the disqualified lawyer from access to information relevant to the current representation.

[6] Rule 1.10(e) removes imputation with the informed consent of the affected client or former client under the conditions stated in Rule 1.7. The conditions stated in Rule 1.7 require the lawyer to determine that the lawyer can represent all affected clients competently, diligently, and loyally, that the representation is not prohibited by Rule 1.7(c), and that each affected client or former client has given informed consent to the representation, confirmed in writing. In some cases, the risk may be so severe that the conflict may not be cured by client consent. For a discussion of the effectiveness of client waivers of conflicts that might arise in the future, see Rule 1.7, Comment [33]. For a definition of informed consent, see Rule 1.0(f).

[7] Where a lawyer has joined a private firm after having represented the government, imputation is governed by Rule 1.11(b) and (c), not this rule. Under Rule 1.11(d), where a lawyer represents the government after having served clients in private practice, nongovernmental employment or in another government agency, former-client conflicts are not imputed to government lawyers associated with the individually disqualified lawyer.

[8] Where a lawyer is prohibited from engaging in certain transactions under Rule 1.8, division (k) of that rule, and not this rule, determines whether that prohibition also applies to other lawyers associated in a firm with the personally prohibited lawyer.

RULE 1.18: DUTIES TO PROSPECTIVE CLIENT

(a) A person who discusses with a lawyer the possibility of forming a client-lawyer relationship with respect to a matter is a prospective client.

(b) Even when no client-lawyer relationship ensues, a lawyer who has had discussions with a prospective client shall not use or reveal information learned in the consultation, except as Rule 1.9 would permit with respect to information of a former client.

(c) A lawyer subject to division (b) shall not represent a client with interests materially adverse to those of a prospective client in the same or a *substantially related matter* if the lawyer received information from the prospective client that could be significantly harmful to that person in the matter, except as provided in division (d). If a lawyer is disqualified from representation under this paragraph, no lawyer in a *firm* with which that lawyer is associated may *knowingly* undertake or continue representation in such a matter, except as provided in division (d).

(d) When the lawyer has received disqualifying information as defined in division (c), representation is permissible if either of the following applies:

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

(2) the lawyer who received the information took *reasonable* measures to avoid exposure to more disqualifying information than was *reasonably* necessary to determine whether to represent the prospective client, and both of the following apply:

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

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

Comment

[1] Prospective clients, like clients, may disclose information to a lawyer, place documents or other property in the lawyer's custody, or rely on the lawyer's advice. A lawyer's discussions with a prospective client usually are limited in time and depth and leave both the prospective client and the lawyer free (and sometimes required) to proceed no further. Hence, prospective clients should receive some but not all of the protection afforded clients.

[2] Not all persons who communicate information to a lawyer are entitled to protection under this rule. A person who communicates information unilaterally to a lawyer, without any reasonable expectation that the lawyer is willing to discuss the possibility of forming a client-lawyer relationship, is not a "prospective client" within the meaning of division (a).

[3] It is often necessary for a prospective client to reveal information to the lawyer during an initial consultation prior to the decision about formation of a client-lawyer relationship. The lawyer often must learn such information to determine whether there is a conflict of interest with an existing client and whether the matter is one that the lawyer is willing to undertake. Division (b) prohibits the lawyer from using or revealing that information, except as permitted by Rule 1.9, even if the client or lawyer decides not to proceed with the representation. The duty exists regardless of how brief the initial conference may be.

[4] In order to avoid acquiring disqualifying information from a prospective client, a lawyer considering whether or not to undertake a new matter should limit the initial interview to only such information as reasonably appears necessary for that purpose. Where the information indicates that a conflict of interest or other reason for nonrepresentation exists, the lawyer should so inform the prospective client or decline the representation. If the prospective client wishes to retain the lawyer, and if consent is possible under Rule 1.7, then consent from all affected present or former clients must be obtained before accepting the representation.

[5] [RESERVED]

[6] Under division (c), the lawyer is not prohibited from representing a client with interests adverse to those of the prospective client in the same or a substantially related matter unless the lawyer has received from the prospective client information that could be significantly harmful if used in the matter.

[7] Under division (c), the prohibition in this rule is imputed to other lawyers as provided in Rule 1.10, but, under division (d)(1), imputation may be avoided if the lawyer obtains the informed consent, confirmed in writing, of both the prospective and affected clients. In the alternative, imputation may be avoided if the conditions of division (d)(2) are met and all disqualified lawyers are timely screened and written notice is promptly given to the prospective client. See Rule 1.0(l) (requirements for screening procedures). Division (d)(2)(i) does not prohibit the screened lawyer from receiving a salary or partnership share established by prior independent agreement, but that lawyer may not receive compensation directly related to the matter in which the lawyer is disqualified.

[8] Notice, including a general description of the subject matter about which the lawyer was consulted and of the screening procedures employed, generally should be given as soon as practicable after the need for screening becomes apparent.

[9] For the duty of competence of a lawyer who gives assistance on the merits of a matter to a prospective client, see Rule 1.1. For a lawyer's duties when a prospective client entrusts valuables or papers to the lawyer's care, see Rule 1.15.

LEXSEE 2008 U.S. DIST. LEXIS 58735

CELGENE CORPORATION, NOVARTIS PHARMACEUTICALS CORPORATION, and NOVARTIS PHARMA AG, Plaintiffs, v. KV PHARMACEUTICAL COMPANY, Defendant.

Civil Action No. 07-4819 (SDW)

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY

2008 U.S. Dist. LEXIS 58735

July 28, 2008, Decided
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NOTICE: NOT FOR PUBLICATION

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JUDGES: Madeline Cox Arleo, United States Magistrate Judge.

OPINION BY: Madeline Cox Arleo

OPINION

ARLEO, U.S.M.J.

Before the Court is the motion of Plaintiff, Celgene Corporation ("Celgene"), to disqualify Buchanan Ingersoll & Rooney PC ("Buchanan") as counsel for Defendant KV Pharmaceutical Company ("KV") (Docket Entry No. 13). Buchanan opposes this motion. For the reasons stated below, this motion will be **GRANTED.**

I. BACKGROUND

In brief, this case involves a Hatch-Waxman patent dispute between Celgene, assignee of two [*2] patents related to treatment using methylphenidate in an extended release form, and KV, who seeks to market generic methylphenidate extended release capsules. After KV submitted ANDA No. 79-004 for methylphenidate in an extended release form to the FDA, which included paragraph IV certifications regarding Celgene's patents, Celgene sued KV for patent infringement.

Celgene and Buchanan do not dispute the following facts. Celgene and KV are both current clients of Buchanan. Celgene has been a Buchanan client for more than four years. Buchanan attorneys have represented and advised Celgene in a range of patent, securities, transactional, and litigation matters.

Since 2003, Buchanan has been representing Celgene in a securities litigation matter, Stein v. Celgene Corporation, Docket No. L-425-03, which is pending in

the Superior Court of New Jersey ("Stein litigation"). (First Girards Decl. P 6.) Specifically, Tod Chasin, Esq. and John Leathers, Esq. of Buchanan are litigation counsel for Celgene in the Stein litigation. (Chasin Cert. at P 3; Leathers Cert. at P 3.) Buchanan expects to continue to represent Celgene in the Stein litigation. (Opp. Br. 5.)

At the start of Buchanan's representation [*3] in the Stein litigation, Buchanan and Celgene entered into a retention agreement, dated August 7, 2003 (the "2003 Retention Agreement"). The 2003 Retention Agreement states, in relevant part:

> In accordance with the Rules of Professional Conduct and our Firm's procedures, this letter confirms the terms on which Buchanan Ingersoll will provide legal services to the Company in connection with defense of the action brought against it by Laurence J. Stein in the Superior Court of New Jersey, Law Division, Somerset County, New Jersey. . . .

(Gruppuso Cert. Ex. A at 1.) The document contains a conflict of interest provision and an advance or prospective waiver of certain conflicts:

> Recognizing and addressing conflicts of interest is a continuing issue for attorneys and clients. We have implemented policies and procedures to identify actual and potential conflicts at the outset of each engagement. From time to time we may be asked to represent someone whose interests may differ from the interests of the Company. We are accepting this engagement with the Company's understanding and express consent that our representation of the Company will not preclude us from accepting an engagement from a new [*4] or existing client, including litigation or other matters that may involve the Company. However, we will not accept an engagement that is directly adverse to the Company or any of its subsidiaries if either: (1) it would be substantially related to the subject matter of our representation of the Company or representation of Anthrogenesis Corp.; or (2) would impair the confidentiality of proprietary, sensitive.or otherwise confidential communications made to us by the Company or Anthrogenesis Corp.

(Gruppuso Cert. Ex. A at 2.). Francis A. Muracca, II, Esq. executed the 2003 Retention Agreement on behalf of Buchanan, and Sanford Kaston, Assistant Secretary, executed the document on behalf of Celgene. (Gruppuso Cert. Ex. A at 4.)

In 2006, Patrick H. Higgins ("Higgins") joined the Buchanan firm, and brought with him a Celgene matter concerning thalidomide. Higgins delivered a signed retention agreement to Celgene (the "2006 Engagement Letter"), dated July 31, 2006. (Pl.'s Br. Ex. 4.) On September 11, 2006, Maria Pasquale ("Pasquale"), Chief Counsel for Celgene, executed the 2006 Engagement Letter on behalf of Celgene. The first paragraph of the 2006 Engagement Letter states that the letter [*5] is in accord with the Rules of Professional Conduct. (Pl.'s Br. Ex. 4 at 1.) The letter contains a provision concerning conflicts of interest:

> From time to time we may be asked to represent someone whose interests may differ from the interests of the Company. The Firm is accepting this engagement with the Company's understanding and express consent that our representation of the Company will not preclude us from accepting an engagement that is adverse to the Company or its interests, including litigation. However, the Firm will not accept an engagement that is directly adverse to the Company if either: (1) it would be substantially related to the subject matter of our representation of the Company; or (2) would impair the confidentiality of proprietary, sensitive or otherwise confidential communications made to us by the Company.

(Pl.'s Br. Ex. 4 at 4.)

On October 4, 2007, Celgene, with co-Plaintiffs Novartis Pharmaceuticals Corporation and Novartis Pharma AG, filed the Complaint in this case. On November 27, 2007, Buchanan entered its appearance on behalf of Defendant KV. On February 8, 2008, Celgene filed the instant motion, asking this Court to disqualify Buchanan as counsel for KV.

II. [*6] DISCUSSION

The instant motion invokes this Court's authority to supervise the professional conduct of an attorney appearing before it:

> The district court's power to disqualify an attorney derives from its inherent au-

> thority to supervise the professional conduct of attorneys appearing before it. As a general rule, the exercise of this authority is committed to the sound discretion of the district court... Commitment of this matter to the district court's discretion means that the court should disqualify an attorney only when it determines, on the facts of the particular case, that disqualification is an appropriate means of enforcing the applicable disciplinary rule.

United States v. Miller, 624 F.2d 1198, 1201 (3d Cir. 1980) (citations omitted).

The Third Circuit "has often employed a balancing test in determining the appropriateness of the disqualification of an attorney." In re Corn Derivatives Antitrust Litig., 748 F.2d 157, 162 (3d Cir. 1984) [*7] (balancing the interest of one party in the loyalty of its attorney against the interest of the other party in retaining chosen counsel). In its exercise of its discretion, this Court balances a number of considerations. The Third Circuit has stated:

> [P]laintiffs do not have an absolute right to retain particular counsel. The plaintiffs' interest in retaining counsel of its choice and the lack of prejudice to [defendant] . . . are not the only factors to be considered in this disqualification proceeding. An attorney who fails to observe his obligation of undivided loyalty to his client injures his profession and demeans it in the eyes of the public. The maintenance of the integrity of the legal profession and its high standing in the community are important additional factors to be considered in determining the appropriate sanction for a [disciplinary] Code violation. The maintenance of public confidence in the propriety of the conduct of those associated with the administration of justice is so important a consideration that we have held that a court may disqualify an attorney for failing to avoid even the appearance of impropriety. Indeed, the courts have gone so far as to suggest [*8] that doubts as to the existence of an asserted conflict of interest should be resolved in favor of disqualification.

International Business Machines Corp. v. Levin, 579 F.2d 271, 283 (3d Cir. 1978).

At issue in this case is whether Buchanan's representation of KV constitutes a concurrent conflict of interest prohibited by Rule 1.7 of the New Jersey Rules of Professional Conduct ("RPC 1.7"). It is undisputed that Celgene and KV are current clients of Buchanan, and that they are adverse parties in this litigation. Pursuant to RPC 1.7(a)(1), this constitutes a concurrent conflict of interest:

> 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 . . .

N.J. COURT RULES RPC 1.7(a). Buchanan contends that its representation of KV is permissible because it falls within the exception provided in RPC 1.7(b):

> Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if:
>
> (1) each affected client gives informed consent, confirmed [*9] in writing, after full disclosure and consultation, provided, however, that a public entity cannot consent to any such representation. When the lawyer represents multiple clients in a single matter, the consultation shall include an explanation of the common representation and the advantages and risks involved;
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> (2) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
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> (3) the representation is not prohibited by law; and
>
> (4) 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.

N.J. COURT RULES RPC 1.7(b). Buchanan argues that Celgene twice gave its consent to the current representation of KV in advance waivers of future conflicts of interest, first when it signed the 2003 Retention Agree-

ment, and again when it signed the 2006 Engagement Letter.

The parties dispute at length whether Buchanan's representation of KV falls within the scope of the relevant conflict waiver provisions in the two agreements. The parties have argued this as an issue of contract interpretation, with the debate [*10] focused on the question of whether the present case is "substantially related" to the past work done by Buchanan for Celgene. This Court does not agree, however, that this motion should be decided by interpretation of ambiguous terms in the waiver provisions. Given that there is no dispute that Buchanan's representation of KV in this case constitutes a concurrent conflict of interest pursuant to RPC 1.7(a)(1), the key question is whether Buchanan has satisfied the requirements of the exception provided by RPC 1.7(b). For this Court to find that Buchanan's representation of KV falls within the exception provided in RPC 1.7(b), it must answer this question: did Celgene give "informed consent [to the concurrent representation], confirmed in writing, after full disclosure and consultation," as required by RPC 1.7(b)?

A waiver of a concurrent conflict, whether executed in advance of the actual conflict or at the time the conflict occurs, must meet the requirements of RPC 1.7(b). The Third Circuit made this clear in 2005, when it decided a bankruptcy case which involved a concurrent conflict of interest in this district, Century Indem. Co. v. Congoleum Corp. (In re Congoleum Corp.), 426 F.3d 675 (3d Cir. 2005). [*11] Debtor Congoleum had applied to the Bankruptcy Court to appoint attorney Gilbert as counsel. Id. at 682. Certain creditors objected, contending, inter alia, that Gilbert should be disqualified because of a current conflict of interest under RPC 1.7. Id. The bankruptcy judge appointed Gilbert over the creditors' objections and was affirmed by the district court. The creditors appealed.

The Third Circuit found that, under RPC 1.7, Gilbert's representation of Congoleum created an actual conflict of interest. Id. at 690. Gilbert contended that it had waivers that "legitimized" the conflict of interest. Id. In evaluating the effectiveness of the conflict of interest waivers, the Third Circuit reasoned: "Although concurrent conflicts may be waived by clients under the New Jersey and ABA Rules of Professional Conduct, the effect of a waiver, particularly a prospective waiver, depends upon whether the clients have given truly informed consent." Id. at 691. The Third Circuit concluded that the waivers failed to constitute informed, prospective consent and that Gilbert had violated RPC 1.7, and it reversed the order approving the retention of Gilbert as counsel. Id.

Congoleum is controlling authority [*12] in the matter before this Court. The Third Circuit emphasized that a prospective waiver will be ineffective in the absence of truly informed consent. In support of this emphasis on "truly informed consent," the Third Circuit cited two New Jersey Supreme Court cases, Dolan and Lanza. Id. These cases are helpful in understanding what constitutes truly informed consent. In Dolan, the New Jersey Supreme Court stated: "where dual representation is sought to be justified on the basis of the parties' consents, this Court will not tolerate consents which are less than knowing, intelligent and voluntary." In re Dolan, 76 N.J. 1, 13, 384 A.2d 1076 (1978). In Lanza, the New Jersey Supreme Court stated:

> The extent of the necessary disclosure is what is important. . . . [T]his is a question that must be conscientiously resolved by each attorney in the light of the particular facts and circumstances that a given case presents. It is utterly insufficient simply to advise a client that he, the attorney, foresees no conflict of interest and then to ask the client whether the latter will consent to the multiple representation. This is no more than an empty form of words. A client cannot foresee and cannot be expected [*13] to foresee the great variety of potential areas of disagreement that may arise in a real estate transaction of this sort. The attorney is or should be familiar with at least the more common of these and they should be stated and laid before the client at some length and with considerable specificity. Of course all eventualities cannot be foreseen, but a great many can.

In re Lanza, 65 N.J. 347, 352-353, 322 A.2d 445 (1974). By citing Dolan and Lanza, the Third Circuit made clear that courts must look beyond the words in a waiver provision to determine whether the client gave truly informed consent. Even though Lanza was decided prior to the adoption of RPC 1.7, it describes the attorney's responsibilities that were later codified as "full disclosure and consultation" in RPC 1.7(b)(1). The Third Circuit's parenthetical summary of Lanza leaves no doubt that the attorney must actually consult with and inform the client: "(concluding that attorney should have first explained . . . all the facts and indicated in specific detail all of the areas of potential conflict that foreseeably might arise)." Congoleum, 426 F.3d at 691.

Under Congoleum, "truly informed consent" requires the attorney to provide meaningful [*14] consul-

tation to the client about potential conflicts. Thus, in determining whether Celgene gave "truly informed consent," the inquiry focuses in part on how Buchanan actually consulted with its client, Celgene, and informed Celgene about the potential conflict when consent was obtained.

Although the New Jersey Supreme Court decided Lanza in 1974, before RPC 1.7 existed, the emphasis on the sufficiency and extent of the disclosure is consistent with the disclosure requirements of the current RPC 1.7(b)(1). RPC 1.7(b)(1) states that when a representation involves a concurrent conflict of interest, a lawyer may represent a client only if "each affected client gives informed consent, confirmed in writing, after full disclosure and consultation." RPC 1.7(b)(1). The Rules of Professional Conduct define "informed consent" in RPC 1.0(e): "'Informed consent' denotes the agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct." RPC 1.0(e). Thus, based on the relevant case law and the express language of RPC 1.7(b)(1) and 1.0(e), [*15] this Court understands "truly informed consent" to be consent that an attorney obtained after a consultation with the client in which the attorney proposed a course of conduct using adequate information, explained the material risks of this course of conduct, and stated reasonably available alternatives to the proposed course of conduct. Congoleum makes clear that the requirement of "truly informed consent" applies to future conflicts as well as ones that have already manifested.

Congoleum does not address two questions which must be answered to rule on the instant motion: 1) who bears the burden of proving that the attorney obtained truly informed consent? and 2) how should this Court determine whether Buchanan obtained truly informed consent from Celgene? The Third Circuit has instructed this Court to look for a "definitive state court decision" interpreting the New Jersey RPCs but, in the absence of such a case, to reach its own conclusions about how to apply the rules of professional conduct. Congoleum, 426 F.3d at 687. Because there is no definitive state court decision on advance waivers of concurrent conflicts of interest, this Court must reach its own conclusions as to these [*16] two questions.

A. Who bears the burden of proving that Buchanan obtained truly informed consent?

Courts in this district have often held that, on a motion to disqualify, the movant bears the burden of proof, and that it is a "heavy burden." Alexander v. Primerica Holdings, Inc., 822 F. Supp. 1099, 1114 (D.N.J. 1993). In the instant case, Celgene has met this burden by pointing to the undisputed fact that the adverse parties in the instant case are both current clients of Buchanan. There is no dispute that, absent Celgene's consent, Buchanan has violated RPC 1.7. There is also no dispute that a violation of RPC 1.7 merits disqualification. In re Cendant Corp.Sec.Litig., 124 F. Supp. 2d 235, 249 (D.N.J. 2000) ("New Jersey simply does not permit concurrent representation where the interests of two current clients are adverse.")

The instant case calls for a burden-shifting approach. There is nothing more that Celgene must prove. Because Celgene has shown that, absent consent, Buchanan has violated RPC 1.7, and because this merits disqualification, the burden shifts to Buchanan to show that its representation of KV falls within the exception provided in RPC 1.7(b). It was Buchanan's responsibility [*17] to obtain informed consent for a conflicted representation, and thus the burden should be on Buchanan to show that it has done so.

This shift in the burden of proof is especially appropriate, given that Buchanan contends that it has not violated RPC 1.7 because Celgene gave its consent in two retention agreements. The New Jersey Supreme Court addressed the issue of burden of proof in cases involving attorney-client contract disputes in Cohen v. Radio-Electronics Officers Union, 146 N.J. 140, 155, 679 A.2d 1188 (1996). In Cohen, an attorney and a client were involved in a dispute over a contractual provision. Id. at 140. The Court stated:

> [W]e are committed to preserving the fiduciary responsibility that lawyers owe their clients. We remain especially vigilant when attorneys and clients contract with each other. To this extent, an attorney's freedom to contract with a client is subject to the constraints of ethical considerations and our supervision. Consequently, courts scrutinize contracts between attorneys and clients to ensure that they are fair.

Id. at 155 (citations omitted). The Court then held: "Consistent with the special considerations inherent in the attorney-client relationship, the attorney [*18] bears the burden of establishing the fairness and reasonableness of the transaction." Id. at 156. In the instant matter, then, as to the provisions of the contracts it drafted and gave to Celgene to sign, it is appropriate that Buchanan should bear the burden of establishing that the contracts satisfy the ethics rules. Buchanan bears the burden of proving that Celgene's consent to the concurrent representation meets the requirements of RPC 1.7.

The Third Circuit's decision in International Business Machines Corp. v. Levin, 579 F.2d 271, 282 (3d Cir. 1978), supports placing the burden of proof on Buchanan at this juncture. IBM was a disqualification case involving a previous version of the disciplinary rule prohibiting concurrent adverse representation. Id. The Third Circuit held that, because the rule gave the attorney the obligation to provide disclosure and obtain consent, the attorney bore the burden of proof. Id. Although RPC 1.7 differs from the predecessor rule, RPC 1.7 continues to give the attorney the obligation to obtain informed consent after full disclosure and consultation. The Third Circuit's holding in Levin is thus still relevant, and is authority for the proposition [*19] that, in the context of a motion for disqualification, the attorney alleging consent bears the burden of proving it. See Corn Derivatives, 748 F.2d at 162 (citing Levin as authority for placing burden of proof of consent on attorney in case involving RPC 1.9).

Furthermore, the attorney is the party in the best position to ensure that the requirement is met. First, the attorney is most likely to have drafted the waiver. Second, the attorney has professional duties of care and ought to bear the responsibility for ensuring informed consent as part of acting with due care. Third, the attorney bears a responsibility for safeguarding the client's interests. "It is the attorney's responsibility to avoid conflicts of interest." Baldasarre v. Butler, 132 N.J. 278, 291, 625 A.2d 458 (1993). Fourth, the attorney, by virtue of his or her professional experience and expertise, is in the best position to anticipate future conflicts of interest and raise them with the client.

B. How should this Court determine whether Buchanan obtained truly informed consent from Celgene?

RPC 1.7(b) states the consent requirement as follows: "each affected client gives informed consent, confirmed in writing, after full disclosure [*20] and consultation." The RPCs define "informed consent" as an "agreement by a person to a proposed course of conduct after the lawyer has communicated adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct." RPC 1.0(e).

In 1995, the New Jersey Supreme Court's Advisory Committee on Professional Ethics provided insight into the meaning of the RPC 1.7(b) consultation requirement in Opinion 679. The Advisory Committee cited the definition of "consultation," stated in the ABA Model Rules then in effect (and since eliminated): "communication of information reasonably sufficient to permit the client to appreciate the significance of the, matter in question." N.J. Supreme Ct. Advis. Comm. on Prof. Ethics, Opinion 679 (1995). The Opinion then states: "We assume that the consultation will include an explanation of the implications of the proposed representation, including both its risks and advantages." Id. This is consistent with the definition of "informed consent" contained in RPC 1.0(e), and makes clear that the attorney must explain the risks of the proposed representation to the client. See also DeBolt v. Parker, 234 N.J. Super. 471, 483, 560 A.2d 1323 (N.J. Super. Ct Law Div. 1988) [*21] (holding that consultation, in the context of RPC 1.7, "certainly requires a broad spectrum of advice if it is to be meaningful.")

Buchanan has failed to demonstrate that it obtained Celgene's informed consent, within the meaning of RPC 1.0(e). In making this determination, this Court looks to two kinds of evidence: the agreements themselves, and evidence outside the agreements.

1. Do the agreements manifest informed consent?

This Court has examined the 2003 Retention Agreement and the 2006 Engagement Letter and does not find within either of those documents any of the following: 1) any statements which adequately communicate a proposed course of conduct with regard to concurrent conflicts of interest; 2) any explanation of the material risks of the course of conduct with regard to concurrent conflicts of interest; or 3) any explanation of reasonably available alternatives to the proposed course of conduct.

The Court first turns to the waiver provisions. The relevant provision in the 2003 Retention Agreement is: "We are accepting this engagement with the Company's understanding and express consent that our representation of the Company will not preclude us from accepting an engagement [*22] from a new or existing client, including litigation or other matters that may involve the Company." The relevant provision in the 2006 Engagement Letter is: "The Firm is accepting this engagement with the Company's understanding and express consent that our representation of the Company will not preclude us from accepting an engagement that is adverse to the Company or its interests, including litigation."

These two provisions have key similarities. In both the 2003 Retention Agreement and 2006 Engagement Letter, statements of Celgene's consent are followed by statements in which Buchanan promises to refrain from accepting engagements that are directly adverse to Celgene under certain conditions. The statements of consent in both engagement letters are very broad. These general statements of consent must be analyzed, however, in the context of the promises by Buchanan that follow. Buchanan's promises to refrain from representation that is adverse to the position of Celgene if it is "substantially related" to their work for Celgene, or if it impairs the

confidentiality of communications made to Buchanan by Celgene.

This Court finds no basis to conclude that either agreement manifests [*23] informed consent, within the meaning of RPC 1.0(e), for several reasons. First, both agreements propose a future course of conduct that is very open-ended and vague. Both provisions are so general that a reader has no clear idea what course of conduct Buchanan anticipated: what kinds of cases are substantially related? Did the parties anticipate that Buchanan would be adverse to Celgene in other patent cases? Second, there is nothing in the agreements to indicate that Buchanan communicated to Celgene adequate information or explanation about the risks of the proposed course of conduct, with regard to concurrent conflicts of interest: would Celgene be comfortable if Buchanan represented a generic pharmaceutical company in a patent case? Third, there is nothing in the agreements to indicate that Buchanan explained to Celgene reasonably available alternatives to the proposed course of conduct, such as Celgene asking Buchanan to specifically define "substantially related" or requesting an even broader limitation -- perhaps that Buchanan would not represent any generic drug companies. The record does not show that Celgene received anything in return for agreeing to these provisions. Indeed, [*24] the agreements only appear to benefit Buchanan -- which further underscores the importance of Buchanan fully explaining the meaning and implications of the waiver. Neither agreement manifests informed consent within the meaning of RPC 1.7(b) and 1.0(e).

A number of authorities have considered the issue of the specificity of an advance waiver provision and have recommended that courts consider the degree of specificity of the waiver provision when ruling on the effectiveness of the waiver. [1] First and foremost, Comment 22 to Rule 1.7 of the ABA Model Rules of Professional Conduct states that general waivers are ordinarily ineffective. In its entirety, Comment 22 states:

> Consent to Future Conflict
>
> [22] 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 [*25] 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).

MODEL RULES OF PROF'L CONDUCT R. 1.7 cmt. 22 (2004).

1 In a discussion about drafting engagement letters containing advance waivers, Fragomen and Yakoob wrote:

> The contents [*26] of these engagement letters should also be carefully crafted to avoid the impression of a generalized waiver of future conflicts. While future conflicts may be waived, the lawyer must make appropriate disclosures of and the client must understand the relevant implications, advantages, and risks, so that the client may make an informed decision whether to consent. Advance waivers that are too general in scope are potentially incompatible with the requirement that the consent be informed.

Austin T. Fragomen, Jr. and Nadia H. Yakoob, No Easy Way Out: the Ethical Dilemmas of Dual Representation, 21 Geo. Immigr. L.J. 621, 631 (2007).

Comment 22 thus provides support for finding that the general nature of the waiver provisions in the 2003 Retention Agreement and 2006 Engagement Letter weighs against a conclusion that Celgene gave informed consent.

Formal Opinion 05-436 ("Opinion 05-436"), issued by the American Bar Association Standing Committee on Ethics and Professional Responsibility, interprets Comment 22 so as to weight fairly heavily the sophistication of the client as a user of legal services. Discussing Comment 22, Opinion 05-436 states:

> The Comment goes further, however, by supporting [*27] the likely validity of an "open-ended" informed consent if the client is an experienced user of legal services, particularly if, for example, the client has had the opportunity to be represented by independent counsel in relation to such consent and the consent is limited to matters not substantially related to the subject of the prior representation.

ABA Comm. on Ethics and Professional Responsibility, Formal Op. 05-436 (2005). This Court notes, however, that this merely acknowledges that a consent that is informed but general is likely to be valid if the client was represented by independent counsel in the waiver transaction. In the instant case, this Court finds no evidence that the consent was informed, and so the fact that Celgene spoke through in-house patent counsel (Pasquale) does not have the weight contemplated in Opinion 05-436.

In re Gabapentin Patent Litig., 407 F. Supp. 2d 607 (D.N.J. 2005), is also instructive. [2] Gabapentin concerned a motion to disqualify; the matter turned on whether an advance waiver of a conflict of interest satisfied the informed consent requirements of RPC 1.7(b) and 1.0(e). The Court observed: "A precise definition of 'informed consent' and 'full [*28] disclosure' is difficult, necessitating a case-by-case factual analysis." Id. at 612. Unlike the instant case, however, the advance waiver in Gabapentin expressly stated the possibility that the law firm (Kaye Scholer) would represent a particular client (Pfizer) in a particular matter (the Gabapentin matter), and that the client (Ivax) waived the right to move to disqualify the firm. Id. at 610. The court concluded that, because the waiver letter clearly informed Ivax of the possibility that Kaye Scholer might represent Pfizer in the Gabapentin matter, and because "Ivax was represented by sophisticated counsel in reaching its decision to consent . . . Ivax's consent to the waiver was informed after full disclosure." Id. at 612.

2 Similar to Gabapentin, though decided under California law, is Visa U.S.A., Inc. v. First Data Corp., 241 F. Supp. 2d 1100, 1105 (N.D. Cal. 2003), in which the court found an advance waiver to have been "fully informed" and therefore effective. In Visa, as in Gabapentin, the waiver provision specifically identified the future adversary and warned of the potential for a future conflict between the clients. Id. at 1106. Because of these facts, among other considerations, [*29] the court found that the advance waiver was fully informed and valid. Id. at 1108.

In the instant case, unlike Gabapentin and Visa, neither waiver provision specifies a particular client or a particular matter. When waiver provisions clearly anticipate a specific conflict, they provide strong evidence that the client's consent was truly informed. Here, the agreements do not provide such evidence.

2. Does evidence from outside the agreements show informed consent?

This Court has also reviewed the evidence that the parties have offered concerning the circumstances surrounding the execution of the two agreements and finds no evidence that Buchanan provided full disclosure and consultation to Celgene in some other way. First, Buchanan has not offered any evidence from Francis A. Muracca, II or Sanford Kaston, the signatories to the 2003 Retention Agreement. Higgins, the Buchanan signatory to the 2006 Engagement Letter, testified that he understood the letter to mean that "we would not represent any parties adverse to my client in intellectual property matters." (Baton Decl. Ex. 1 at 41:3-5.) It is reasonable to infer from this testimony that Higgins did not inform Celgene of the possibility [*30] that Buchanan would represent a party adverse to it in an intellectual property matter, given his stated belief that the agreement prohibits such conduct. It is clear from Higgins' testimony that he did not believe that Celgene had given consent -- whether informed or not -- to Buchanan's future representation of a party adverse to it in an intellectual property matter.

Buchanan has offered no evidence to contradict these inferences. Rather, Buchanan concedes that "Mr. Higgins simply did not discuss his purported understanding of the advance waiver with anyone at Celgene." (Def.'s First Supp. Br. 20.) This supports the conclusion that Higgins did not provide full disclosure and consultation to Celgene regarding the advance waiver.

Maria Pasquale has stated that she did not discuss the language of the engagement letter with anyone at Buchanan. (Pasquale Cert. P 9.) Pasquale also stated: "if Buchanan Ingersoll had informed me that the waiver

language was intended to allow it to represent a generic company in ANDA litigation against Celgene, I would not have retained Buchanan Ingersoll to represent Celgene in its patent matters." Id. Pasquale testified that Higgins had stated to her that [*31] he did not do work for pharmaceutical companies that sold generic drugs. (Baton Decl. Ex. 2 at 221:12-15.) The evidence supports the conclusion that Buchanan did not inform Celgene of the specific possibility that it might represent a generic pharmaceutical company in future ANDA litigation against it. Furthermore, Pasquale testified that Buchanan did not inform her of the risk that the language of the waiver provision would allow Buchanan to represent a generic company against Celgene in ANDA litigation:

> Q: Did anyone at Buchanan Ingersoll advise you, prior to the time you signed this letter, that Buchanan Ingersoll would be permitted, under the terms of the letter, to represent a generic pharmaceutical company against Celgene in ANDA litigation?
>
> A: No.

(Baton Decl. Ex. 2 at 251:5-11.)

The evidence thus supports the conclusion that Buchanan did not explain the material risk to Celgene that Buchanan would represent a generic pharmaceutical company against Celgene in ANDA litigation. This Court concludes that Buchanan did not adequately inform Celgene about the current conflict of interest, and that Celgene's consent, as expressed in the 2003 Retention Agreement and the 2006 Engagement [*32] Letter, does not constitute truly informed consent to Buchanan's representation of a generic pharmaceutical company in ANDA litigation against it, within the meaning of Congoleum, RPC 1.7, and RPC 1.0(e).

In its supplementary brief, Buchanan's primary argument for its claim that it obtained informed consent from Celgene is that Celgene was a sophisticated client independently represented by its experienced General Counsel, Pasquale. Buchanan contends that "Pasquale unquestionably understood exactly what she was signing when she executed Buchanan's waiver agreement. . . . Her decision to bind her client was unquestionably knowing and voluntary." (Def.'s Sec. Supp. Br. 8.) It is significant that Buchanan does not even assert, no less offer supporting evidence, that Buchanan *at any time* provided a consultation to Celgene on the conflict waiver, nor that Buchanan provided full -- or any -- disclosure on the matter of conflicts of interest, nor that Buchanan communicated "adequate information and explanation about the material risks of and reasonably available alternatives to the proposed course of conduct." RPC 1.0(e). In fact, in its first supplementary brief, Buchanan states, in regard [*33] to the 2006 Engagement Letter: "Celgene never discussed the Engagement Letter or the meaning of the advance waiver with anyone at Buchanan prior to signing it." (Def.'s First Supp. Br. 16.) This essentially concedes that Buchanan did not provide the consultation that RPC 1.7(b)(1) expressly requires of an attorney obtaining informed consent. Indeed, RPC 1.7(b) and 1.0(e) require the attorney obtaining consent to actually inform the client -- not merely that the consenting client be someone who is informed.

Buchanan does not assert that it met the requirements of RPC 1.7 and 1.0(e) by adequately informing Celgene about the advance conflict waiver, but relies on only one ethics committee opinion from New Jersey as support for the proposition that the waivers are enforceable because Celgene was represented by experienced and independent counsel. Buchanan points to Opinion 679 of the New Jersey Supreme Court's Advisory Committee on Professional Ethics, which states:

> While we conclude that RPC 1.7(b) appears to be satisfied on the facts presented, we do pause to clarify and emphasize the importance of proceeding meticulously in this area. In regard to disclosure, consultation and consent, [*34] we first note the baseline principle that "the consent must be 'knowing, intelligent and voluntary.'" In re Dolan, 76 N.J. 1, 384 A.2d 1076 (1978). The sufficiency of the disclosure and consultation, and thus the adequacy of the waiver, depends on the facts of the case, including, significantly, the sophistication of the parties.

N.J. Supreme Ct. Advis. Comm. on Prof. Ethics, Opinion 679 (1995). Opinion 679 does not support the proposition that the sophistication of a party can excuse an attorney from the obligations of consultation and full disclosure. Opinion 679 merely advises courts to consider the sophistication of the client when assessing the sufficiency of the disclosure and consultation. Celgene may have been a very sophisticated client, but that does not mean that Buchanan is excused from the obligation to obtain informed consent. RPC 1.0(e) makes no exception for sophisticated clients or clients who are independently represented by counsel.

The New Jersey Supreme Court has stated: "The paramount obligation of every attorney is the duty of loyalty to his client." State v. Cottle, 194 N.J. 449, 463, 946 A.2d 550 (2008). Having examined the record be-

fore it, this Court cannot conclude that Buchanan fulfilled [*35] this duty to Celgene. Rather, based on the record before it, this Court concludes that Buchanan breached its duty of loyalty to Celgene when it undertook to represent KV in this case, and it must be disqualified as counsel for KV because of the unwaived conflict of interest.

C. Buchanan's contract theory

In opposing the motion to disqualify, Buchanan argues primarily that this motion should be decided by contract interpretation: if the phrase "substantially related" in the waiver provision is properly construed, Buchanan's representation of KV falls within the scope of conduct that Celgene consented to. Buchanan contends that its representation of KV is not substantially related to the subject matter of its past or current representation and is therefore permissible under the terms of the waiver provisions.

This Court does not agree with Buchanan's premise. The motion to disqualify is not fundamentally a matter of contract interpretation. Rather, it is primarily a matter of interpretation of the New Jersey Rules of Professional Responsibility, as well as application of those rules to the facts of this case. As has been discussed, the key issue is the question of whether Buchanan obtained [*36] from Celgene the informed consent required by RPC 1.7(b)(1) and RPC 1.0(e). Even if Buchanan were correct -- which it is not -- in its assertion that its conduct is permitted by the waiver provisions, this Court is not now adjudicating a breach of contract case. Rather, this Court is "supervis[ing] the professional conduct of attorneys appearing before it." Miller, 624 F.2d at 1201.

Even if this Court were to agree with Buchanan, however, that the instant motion may be decided through interpretation of the waiver provisions, Buchanan would still be disqualified as counsel: interpreted under New Jersey law, the waiver provision does not permit Buchanan's representation of KV in this litigation.

The 2003 Retention Agreement and the 2006 Engagement Letters are both written contracts, and the parties do not dispute that this Court should apply New Jersey law to questions of interpretation of provisions in these contracts. From the outset, it is crucial to observe that the New Jersey Supreme Court does not apply its usual interpretive principles when construing a contract between an attorney and a client, but instead applies the principles set forth in the Restatement (Third) of the Law Governing [*37] Lawyers: "A court should construe an agreement between a lawyer and a client as a reasonable person in the circumstances of the client would have construed it." Cohen, 146 N.J. at 156 (citing Restatement (Third) of the Law Governing Lawyers § 18 cmt. h). More significantly, contracts between lawyers and clients are construed against the lawyer. Id. The Court quoted the Restatement in giving its rationale for adherence to this principle:

> Three reasons support this rule. First, lawyers almost always write such agreements . . . and an agreement traditionally is interpreted against its author. Second, lawyers are more able than most clients to detect and repair omissions in client-lawyer agreements. Third, lawyers have a fiduciary obligation to inform clients about the risks of the representation, including those unresolved by the client-lawyer agreement.

Cohen, 146 N.J. at 156 (quoting Restatement (Third) of the Law Governing Lawyers § 18 cmt. h). [3] Thus, under New Jersey law, to the extent that there are ambiguities in the waiver provisions, the provisions are construed against Buchanan.

> 3 See also Richard W. Painter, Advance Waiver of Conflicts, 13 Geo. J. Legal Ethics 289, 312 (2000) ("Clarity [*38] will also be encouraged if an ambiguous waiver is construed against the lawyer, who in most circumstances will have drafted it.")

Both Pasquale and Higgins have testified that they understood the meaning of "substantially related," as used in the provision at issue in the 2006 Engagement Letter, to be such that all ANDA litigation matters are substantially related. At his deposition, Higgins stated: "My read of this is that we would not represent any parties adverse to my client in intellectual property matters." (Baton Decl. Ex. 1 at 41:3-5.) At her deposition, Pasquale stated: "My understanding of the phrase is that they would not engage in matters that were substantially related to matters they handled for Celgene, and . . . that could encompass an ANDA litigation with a generic company and Celgene." (Baton Decl. Ex. 2 at 211:25-212:5.) Although it is not clear from this testimony whether Pasquale and Higgins had an identical understanding of the meaning of "substantially related," it is clear that they both understood that the language meant that Buchanan would not represent any party adverse to Celgene in ANDA litigation.

Buchanan points to the certification of its General Counsel, [*39] John R. Leathers, stating that he drafted the 2003 Retention Agreement and that he intended "substantially related" to have a meaning consistent with that given to the phrase by the ABA in the context of

Model Rule 1.9. (Leathers Cert. P 4.) Buchanan offers no law to support the relevance of this evidence to this inquiry. Leathers was not a party to the 2003 Retention Agreement, which was executed by Francis A. Muracca II, on behalf of Buchanan, and Sanford Kaston, on behalf of Celgene. The drafter's intent sheds little light on how a reasonable person in the circumstances of the client would have construed "substantially related."

Under New Jersey law, this Court interprets contracts between an attorney and a client as a reasonable person in the circumstances of the client would have construed it. When the contract language is ambiguous, it is construed against the drafter, here Buchanan. This Court has been offered no evidence to support the position that a reasonable person in Celgene's circumstances would have understood that either provision gave consent for Buchanan to represent a party adverse to it in ANDA litigation. Furthermore, this Court has examined the agreements and finds [*40] that neither agreement defines "substantially related to the subject matter of our representation of the Company" such that its meaning is clear and unambiguous. The parties have disputed the meaning of this phrase at length. Neither party contends that the meaning of this phrase is clear and unambiguous; rather, Buchanan argues that interpretation is necessary. The Court finds that the phrase "substantially related to the subject matter of our representation of the Company," as used in the 2003 Retention Agreement and the 2006 Engagement Letter, is ambiguous. Because, under New Jersey law, this language must be construed against Buchanan, as drafter, "substantially related" must be construed as Celgene has proposed.

III. CONCLUSION

As a matter of law, this Court holds that, as the attorney, drafter, and proponent of the waiver provisions at issue, Buchanan bears the burden of proving that Celgene gave "truly informed consent," as required by Congoleum, to its present representation of KV. This Court has examined the waiver provisions of the 2003 Retention Agreement and the 2006 Engagement Letter, as well as the other evidence offered by the parties. As finder of fact, this Court determines [*41] that Celgene has met its initial burden of proving that Buchanan's representation of KV in this case constitutes a concurrent conflict of interest, in violation of RPC 1.7(a)(1), and that Buchanan has failed to meet its burden of proving that Celgene gave truly informed consent to the concurrent conflict of interest. Buchanan has failed to prove that Celgene's consent was obtained after full disclosure and consultation, as required by RPC 1.7(b)(1) and RPC 1.0(e). Buchanan's representation of KV is barred by RPC 1.7, and Buchanan will be disqualified as counsel for KV.

For the reasons set forth above, the Court grants Celgene's motion to disqualify Buchanan Ingersoll as counsel for KV. KV has 30 days from the date of this Opinion to retain new counsel.

/s/ Madeline Cox Arleo

Madeline Cox Arleo

United States Magistrate Judge

Dated: July 28, 2008

ORDER

ARLEO, U.S.M.J.

It is hereby **ORDERED,** in accordance with the Court's Opinion dated July 28, 2008, that the motion of Plaintiff, Celgene Corporation, to disqualify Buchanan Ingersoll & Rooney PC as counsel for Defendant KV Pharmaceutical Company (Docket Entry No. 13) is **GRANTED.** KV has 30 days from the date of this Order to retain new counsel.

/s/ [*42] Madeline Cox Arleo

Madeline Cox Arleo

United States Magistrate Judge

Dated: July 28, 2008

1 of 1 DOCUMENT

TETHYS BIOSCIENCE, INC., Plaintiff, v. MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C. and IVOR R. ELRIFI, Defendants.

No. C 09-5115 CW

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

2010 U.S. Dist. LEXIS 55010

June 4, 2010, Decided
June 4, 2010, Filed

PRIOR HISTORY: Tethys Bioscience, Inc. v. Mintz, Levin, Cohn, Ferris, Glovsky & Popeo P.C., 2009 U.S. Dist. LEXIS 114992 (N.D. Cal., Dec. 9, 2009)

COUNSEL: [*1] For Tethys Bioscience Inc, Plaintiff: Allen Ruby, LEAD ATTORNEY, Law Offices of Allen Ruby, San Jose, CA.

For Mintz Levin Cohn Ferris Glovsky and Popeo PC, Ivor R. Elrifi, Defendants: Elliot Remsen Peters, LEAD ATTORNEY, Ozan Osman Varol, Steven Keeley Taylor, Keker & Van Nest, LLP, San Francisco, CA.

JUDGES: CLAUDIA WILKEN, United States District Judge.

OPINION BY: CLAUDIA WILKEN

OPINION

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANTS' MOTION TO DISMISS AND DENYING DEFENDANTS' MOTION TO STRIKE

(Docket No. 22)

Defendants Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (Mintz Levin) and Ivor R. Elrifi move to dismiss Plaintiff Tethys Bioscience, Inc.'s First Amended Complaint (1AC) in its entirety and to strike Plaintiff's request for punitive damages. Plaintiff opposes the motions. The motions were taken under submission on the papers. Having considered the papers submitted by the parties, the Court GRANTS in part Defendants' Motion to Dismiss and DENIES it in part. Defendants' Motion to Strike is DENIED.

BACKGROUND

Plaintiff, a Delaware corporation with a primary place of business in Emeryville, California, is a biotechnology company. Defendant Mintz Levin is a law firm incorporated under the laws of Massachusetts. [*2] Defendant Elrifi is the co-chair of Mintz Levin's intellectual property practice. Plaintiff does not allege specific conduct by Elrifi. However, its averments refer to Mintz Levin and Elrifi collectively.

Plaintiff engaged Defendants to prosecute domestic and international patent applications for a method that purportedly identifies biological markers that indicate whether a person is likely to develop diabetes. Defendants are also prosecuting patent applications on behalf of American Type Culture Company (ATCC). ATCC seeks protection of a method that putatively identifies the probability that a person will develop diabetes, which Plaintiff maintains is similar to its method and constitutes "competing intellectual property." 1AC P 32(c). Defendants did not inform Plaintiff that they were concurrently prosecuting ATCC's applications.

Plaintiff claims that Defendants disclosed its confidential intellectual property to ATCC. Plaintiff asserts that it "carefully protected the confidentiality of the scientific and technical features of [its technology] and its future research plans to preserve and maximize its research lead relative to much larger and well-funded companies, and to minimize [*3] the prior art impact of its initial inventions on later-filed improvement inven-

tions." 1AC P 14. To this end, Plaintiff avers that it did not give permission to Defendants to divulge information regarding its technology

> to any person or agency except (a) to the United States Patent and Trademark Office, and associated local counsel in connection with filing patent applications for Tethys, (b) to the World Intellectual Property Organization in connection with an international application for Tethys under the Patent Cooperation Treaty and (c) via mandatory publication of Tethys patent applications when required by law, or expressly pre-approved by Tethys.

1AC P 8.

Plaintiff contends that similarities in language used in its patent applications and in those of ATCC demonstrate that improper disclosure occurred. For instance, Defendants filed Plaintiff's provisional patent application with the United States Patent and Trademark Office (PTO) on October 11, 2005; they filed ATCC's application on September 1, 2006. Both applications contain nearly identical language under the "Diagnostics and Prognostic Methods" section. *Compare* 1AC, Ex. A 9:9-18:5 *with* 1AC, Ex. B 9:22-17:18. Plaintiff asserts [*4] that other sections of ATCC's application are also materially similar to its own. Based on the shared language, Plaintiff maintains that Defendants must have improperly disclosed its proprietary information because, at that time, ATCC could not have obtained the material from another source.

Likewise, Plaintiff asserts that improper disclosure occurred with regard to its international patent application under the Patent Cooperation Treaty (PCT). Defendants filed Plaintiff's PCT application with the World Intellectual Property Organization (WIPO) on October 11, 2006; they represented to Plaintiff that the application would be published in the public domain between April and October, 2007. On March 28, 2007, Defendants filed ATCC's PCT application with the WIPO. Like those in the United States patent applications, the "Diagnostic and Prognostic Methods" sections of Plaintiff's and ATCC's PCT applications are nearly identical, *compare* 1AC, Ex. C 23:4-41:5 *with* 1AC, Ex. D 17:8-36:28, although there is slightly less overlap than in the domestic patent applications. And, as with its domestic application, Plaintiff maintains that ATCC could not have obtained the language from any other source. [*5] Plaintiff also suggests that the invention claimed in ATCC's PCT application could not have been based on the work that ATCC asserts it undertook. Plaintiff asserts that ATCC had "zero relevant original experimental evidence" and that the only basis for its invention "is the copied Tethys Technology." 1AC P 25. Finally, Plaintiff asserts that, by causing "a significant portion of the Tethys Technology to be published in a PCT application on behalf of ATCC before filing US and PCT applications for Tethys on April 18, 2008," Defendants created "*prima facia* prior art against Tethys improvement inventions that limit the scope of claims thereon." 1AC P 23.

Plaintiff discovered ATCC's PCT application in May, 2008 and terminated its relationship with Defendants on May 29, 2008.

Plaintiff asserts claims against Defendants for breach of fiduciary duties and conversion. Plaintiff maintains that Defendants caused damage in excess of $ 75,000 by, among other things, failing to compensate it for the use of its intellectual property; causing a reduction in the value of its intellectual property; placing it in a "lesser economic position of an inventor faced with competing intellectual property," 1AC [*6] P 32(c); requiring it to expend resources to protect its intellectual property and to hire new counsel. Plaintiff seeks punitive damages, asserting that Defendants committed fraud and engaged in oppression.

On December 9, 2009, the Court granted Defendants' first motion to dismiss, concluding that many of Plaintiff's allegations concerning its damages were impermissibly vague and that Defendants could not "convert" a patent application. Plaintiff filed its 1AC on January 15, 2010, and Defendants brought the current motion on February 12.

DISCUSSION

I. Dismissal under Rule 12(b)(1)

Defendants argue that Plaintiff's claims must be dismissed under Rule 12(b)(1) because they are not ripe for review. In particular, Defendants assert that, because the PTO has not ruled on the patent applications of Plaintiff or ATCC, Plaintiff's injuries are speculative.

Dismissal is appropriate under Rule 12(b)(1) when the district court lacks subject matter jurisdiction over the claim. Fed. R. Civ. P. 12(b)(1). When, as here, a defendant attacks a plaintiff's complaint on its face, allegations must be taken as true and all inferences must be drawn in the plaintiff's favor. *Wolfe v. Strankman*, 392 F.3d 358, 362 (9th Cir. 2004). [*7] Because ripeness pertains to a federal court's subject matter jurisdiction, it is properly raised in a Rule 12(b)(1) motion to dismiss. *Chandler v. State Farm Mut. Auto. Ins. Co.*, 598 F.3d 1115, 1122 (9th Cir. 2010) (citations omitted).

A "'claim is not ripe for adjudication if it rests upon contingent future events that may not occur as antic-

ipated, or indeed may not occur at all.'" *Bova v. City of Medford*, 564 F.3d 1093, 1095 (9th Cir. 2009) (quoting *Texas v. United States*, 523 U.S. 296, 300, 118 S. Ct. 1257, 140 L. Ed. 2d 406 (1998)).

Plaintiff pleads that it has suffered various forms of damage, including a decrease in the value of its technology and business, arising from Defendants' alleged disclosure of its confidential information. Because these allegations must be taken as true, Plaintiff's action is ripe for review. [1] Plaintiff alleges and may be able to prove that it sustained current and certain injury. That Plaintiff's harm could be enhanced or mitigated by the PTO's decision does not render its claims unripe. Although Defendants may disagree on whether damage has actually occurred, this does not render Plaintiff's claims non-justiciable.

1 Defendants make several arguments based on the patent applications attached [*8] to Plaintiff's amended complaint. However, as discussed in further detail below, these assertions do not show that Plaintiff's claim is impermissibly speculative.

Defendants cite *Jennings v. Auto Meter Products*, in which the Seventh Circuit affirmed the dismissal of a plaintiff's state law claims on ripeness grounds because the PTO had not ruled on his patent application. 495 F.3d 466, 477 (7th Cir. 2007). There, the plaintiff had alleged that the defendants fraudulently misled the patent examiner into believing that he was not the inventor of the claimed invention. *Id.* at 469. Because the plaintiff's patent application had not been ruled on, the court found his damages "entirely speculative." *Id.* at 476. The court opined that, if Jennings ultimately received a patent, "any potential damages he claims to have suffered from the inability to get a patent disappear." *Id.*

Jennings is distinguishable because Plaintiff does not base its damage solely on whether it receives a patent. As noted above, it has plead forms of existing damage that do not turn on the PTO's decision. If Plaintiff seeks to recover damages based on any pending PTO action, it may move to stay this action in the interim. [*9] However, as plead, Plaintiff's amended complaint presents a sufficiently defined controversy that is justiciable.

Plaintiff's claims are ripe for review. Accordingly, Defendants' motion to dismiss under Rule 12(b)(1) is denied.

II. Dismissal under Rule 12(b)(6)

A complaint must contain a "short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a). Dismissal under Rule 12(b)(6) for failure to state a claim is appropriate only when the complaint does not give the defendant fair notice of a legally cognizable claim and the grounds on which it rests. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007). In considering whether the complaint is sufficient to state a claim, the court will take all material allegations as true and construe them in the light most favorable to the plaintiff. *NL Indus., Inc. v. Kaplan*, 792 F.2d 896, 898 (9th Cir. 1986). However, this principle is inapplicable to legal conclusions; "threadbare recitals of the elements of a cause of action, supported by mere conclusory statements," are not taken as true. *Ashcroft v. Iqbal*, U.S. , 129 S. Ct. 1937, 1949-50, 173 L. Ed. 2d 868 (2009) (citing *Twombly*, 550 U.S. at 555).

A. Claim for [*10] Breach of Fiduciary Duty

To maintain a claim for a breach of fiduciary duty, a plaintiff must allege: "(1) existence of a fiduciary duty; (2) breach of the fiduciary duty; and (3) damage proximately caused by the breach." *Stanley v. Richmond*, 35 Cal. App. 4th 1070, 1086, 41 Cal. Rptr. 2d 768 (1995). The "relation between attorney and client is a fiduciary relation of the very highest character." *Am. Airlines v. Sheppard, Mullin, Richter & Hampton*, 96 Cal. App. 4th 1017, 1044, 117 Cal. Rptr. 2d 685 (2002) (citation omitted).

Plaintiff alleges that Defendants breached their fiduciary duty by prosecuting ATCC's patent applications, which it maintains constituted the representation of an adverse interest, and by disclosing its confidences. Defendants argue that Plaintiff fails to plead a cognizable breach of any fiduciary duty and damage.

1. Conduct Constituting Breach of Fiduciary Duty

Although they do not create an independent right of action, the Rules of Professional Conduct of the State Bar of California, "together with statutes and general principles relating to other fiduciary relationships, 'help define the duty component of the fiduciary duty which an attorney owes to his client.'" *Id.* at 1032 (citing *Mirabito v. Liccardo*, 4 Cal. App. 4th 41, 45, 5 Cal. Rptr. 2d 571 (1992)). [*11] Duties of loyalty and confidentiality inhere in the fiduciary relationship between an attorney and a client. *See Flatt v. Superior Court*, 9 Cal. 4th 275, 288-89, 36 Cal. Rptr. 2d 537, 885 P.2d 950 (1994) (discussing duty of loyalty); Cal. Bus. & Prof. Code § 6068(e)(1) (providing duty of confidentiality for attorneys).

Plaintiff alleges that Defendants violated their duty of loyalty by representing the adverse interests of ATCC. In particular, Plaintiff cites California Rule of Professional Conduct 3-310(C), which provides that attorneys

shall not, without the informed written consent of each client:

> (1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or
>
> (2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or
>
> (3) Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.

The United States Patent and Trademark Office Code of Professional Responsibility contains a similar prohibition, which bars the representation of adverse parties unless "it is obvious [*12] that the practitioner can adequately represent the interest of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on behalf of each." 37 C.F.R. § 10.66(a), (c).

Defendants do not dispute that they did not disclose to Plaintiff their representation of ATCC or seek consent. Instead, they assert that their representation of ATCC cannot be considered adverse because the inventions of Plaintiff and ATCC are "fundamentally different." Mot. at 7. The Court declines to make such a determination on the limited record before it. It is not evident from the differences identified by Defendants that their representation of ATCC did not create even a potential conflict with Plaintiff's interests, for which disclosure and consent was required. If all inferences are drawn in Plaintiff's favor, it has plead a breach of a duty of loyalty.

Plaintiff also plead that Defendants violated their duty of confidentiality by, among other things, disclosing information on its provisional patent application to ATCC. Plaintiff's claim appears to rest primarily on Defendants' alleged [*13] copying of information from its applications for use on those of ATCC. Defendants assert that this information was not confidential because it constituted "high-level background information that . . . those of ordinary skill in the art already know." Mot. at 16. On the limited record for this motion, the Court is not persuaded. Plaintiff pleads that it did not give permission to Defendants to disclose any information it provided. [2] Defendants' argument, if accepted, would empower an attorney to determine what constitutes secret information and, if the attorney so decided, enable the disclosure of a client's confidences with impunity. Further, even if skilled artisans may have had general knowledge concerning the allegedly copied information, it does not follow that the manner in which Plaintiff presented its invention in its provisional patent application was publicly known. Defendants cite *Jack Winter, Inc. v. Koratron Co.*, 50 F.R.D. 225 (N.D. Cal. 1970), which concerned the scope of the attorney-client privilege but does not require a contrary result. The court concluded that some communications made for the purposes of preparing a patent application are non-privileged because they [*14] are intended to be disclosed to PTO. *Id.* at 228-29. The court did not, however, address an attorney's duty of confidentiality, which is broader than the attorney-client privilege. *Dietz v. Meisenheimer & Herron*, 177 Cal. App. 4th 771, 786, 99 Cal. Rptr. 3d 464 (2009).

> 2 Although not binding on the Court, the State Bar of California defines a client secret as "any information obtained by the lawyer during the professional relationship, or relating to the representation, which the client has requested to be inviolate or the disclosure of which might be embarrassing or detrimental to the client." State Bar of Cal., Formal Op. No. 1993-133.

Accordingly, Plaintiff sufficiently pleads that Defendants breached their duties of loyalty and confidentiality.

2. Damage

Plaintiff pleads seven forms of damage, which can be grouped into five categories: (1) "reasonable compensation" for unauthorized use of its intellectual property, 1AC P 32(a); (2) decrease in the market value of its business and intellectual property, 1AC P 32(b)-(d); (3) expenditure of resources to mitigate Defendants' damage to its intellectual property, 1AC P 32(e); (4) disgorgement of fees unjustly received by Defendants, 1AC P 32(f); and (5) reimbursement [*15] of fees paid to new counsel for services already rendered by Defendants, 1AC P 32(g). Defendants argue that none of these categories constitutes cognizable damage.

As an initial matter, Defendants contend that Plaintiff must prove that its conduct is the "but for" cause of any damage. They cite *Viner v. Sweet*, which states that "a plaintiff in a . . . malpractice action must show that but for the alleged malpractice, it is more likely than not that the plaintiff would have obtained a more favorable result." 30 Cal. 4th 1232, 1244, 135 Cal. Rptr. 2d 629, 70 P.3d 1046 (2003). To extend application of this causation standard to Plaintiff's breach of fiduciary duty claim, Defendants cite *Lazy Acres Market, Inc. v. Tseng*, which states that the causes of action for legal malpractice and breach of fiduciary duty by an attorney are the same. 152

Cal. App. 4th 1431, 1435-36, 62 Cal. Rptr. 3d 378 (2007). Plaintiff responds that "but for" causation applies only to claims for legal malpractice, not those for a breach of fiduciary duty, and asserts that *Lazy Acres* discussed "but for" causation in the context of the plaintiffs' legal malpractice claim. Plaintiff does not, however, cite authority that precludes applying the "but for" causation standard or [*16] otherwise require application of another test. Nor has Plaintiff plead or argued that "concurrent independent causes" led to its injury. [3] Even if it did, Plaintiff must prove that Defendants' conduct was a "substantial factor" in bringing about the alleged harm. *See Viner*, 30 Cal. 4th at 1240.

> 3 "California has definitively adopted the substantial factor test of the Restatement Second of Torts for cause-in-fact determinations." *Rutherford v. Owens-Illinois, Inc.*, 16 Cal. 4th 953, 968, 67 Cal. Rptr. 2d 16, 941 P.2d 1203 (1997). In *Viner*, the court discussed the relationship between the "but for" and "substantial factor" tests of causation, stating that "the 'substantial factor' test subsumes the traditional 'but for' test of causation." 30 Cal. 4th at 1240. The court explained that, where "concurrent independent causes" exist, a plaintiff could prove causation by showing that the defendant's action was a "substantial factor" in bringing about the alleged harm. *Id.; see also Rutherford*, 16 Cal. 4th at 968. Concurrent independent causes "are multiple forces operating at the same time and independently, each of which would have been sufficient by itself to bring about the harm." *Viner*, 30 Cal. 4th at 1240.

Plaintiff sufficiently [*17] pleads the damage element of its claim. It avers that Defendants' actions caused the decrease in value of its intellectual property and business, which led it to expend resources to mitigate such harm. Plaintiff alleges that the loss in value arises from the uncertainty created by ATCC's patent applications, the loss of its "sole inventor" status and the lessening of the "prior art impact" of its intellectual property "on any patents ATCC may obtain." 1AC P 32(b)-(d). Echoing their arguments concerning ripeness, Defendants assert that Plaintiff's claim of damage based on the risk of ATCC obtaining a patent is too speculative or contingent to suffice as a legal basis for harm. However, it is not clear, as a matter of law, that Plaintiff could not prove any concrete, current loss of value to its technology or business caused by Defendants' alleged misconduct. If all inferences are taken in favor of Plaintiff, these theories support its claim. Provided Plaintiff can prove this alleged decrease in value caused it harm, its expenditure of resources to prevent additional injury and payment of attorneys' fees to replace Defendants as counsel may constitute additional damage. *See Am. Airlines*, 96 Cal. App. 4th at 1044 [*18] (stating that plaintiff established damage by proving "it spent $ 8,174 in attorney fees to prevent" harm that could be caused by defendant).

Plaintiff's other theories of damage, however, are not legally cognizable. Plaintiff pleads that it "is entitled to reasonable compensation for the use of its confidential and proprietary information." 1AC P 32(a). However, a request for compensation does not constitute damage for the purposes of Plaintiff's breach of fiduciary duty claim. At most, Plaintiff pleads that it is entitled to damages in the form of "reasonable compensation." However, "damages" typically refers to "the monetary sum that the plaintiff may be awarded as compensation for" an injury, which must be distinguished from the element of "damage," or injury, that is required to state a claim for breach of a fiduciary duty. *Lueter v. California*, 94 Cal. App. 4th 1285, 1302-03, 115 Cal. Rptr. 2d 68 (2002). Plaintiff points to no authority providing that its request for "reasonable compensation" satisfies the damage element of its claim.

For similar reasons, Plaintiff's allegation that Defendants were "unjustly enriched" and its related request for disgorgement of "all attorney's fees paid by Tethys to [*19] the Mintz Levin Defendants related in any way to the Tethys Technology" do not constitute averments of damage. 1AC P 32(f). In *Slovensky v. Friedman*, the court concluded that a plaintiff's claim for breach of fiduciary duty failed because, although she had sought a remedy for disgorgement of fees, she had not proven damage for which disgorgement was warranted. 142 Cal. App. 4th 1518, 1535-36, 49 Cal. Rptr. 3d 60 (2006). Plaintiff offers no authority requiring a different conclusion. Thus, because it is a remedy and not an injury, Plaintiff's request for disgorgement of attorneys' fees does not satisfy the damage element of its claim.

Accordingly, Plaintiff's theory that it suffered a decrease in the value of its intellectual property satisfies the damage element of its claim. So long as it can prove this damage, the expenditure of resources to prevent additional harm and the payment of fees to hire new counsel can constitute additional injury. However, Plaintiff's claim is dismissed to the extent that it asserts damage based on its requests for "reasonable compensation" and disgorgement; these are requests for remedies, not types of harm.

B. Conversion Claim

Under California law, a claim for conversion requires [*20] a plaintiff to allege (1) "ownership or right to possession of property;" (2) a defendant's wrongful act toward the property, causing interference with the plaintiff's possession; and (3) damage to the plaintiff. *PCO, Inc. v. Christensen, Miller, Fink, Jacobs, Glaser, Weil &*

Shapiro, LLP, 150 Cal. App. 4th 384, 394, 58 Cal. Rptr. 3d 516 (2007). A plaintiff must allege the following to show that a property right exists: "First, there must be an interest capable of precise definition; second, it must be capable of exclusive possession or control; and third, the putative owner must have established a legitimate claim to exclusivity." *Kremen v. Cohen*, 337 F.3d 1024, 1030 (9th Cir. 2003) (quoting *G.S. Rasmussen & Assocs., Inc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896, 906 (9th Cir. 1992)).

In its original complaint, Plaintiff alleged conversion of its patent applications. In its order on Defendants' first motion to dismiss, the Court concluded that Plaintiff did not satisfy the *Kremen* test because it did not plead a legitimate claim to exclusivity. In addition, Plaintiff failed to provide authority that a patent application could be converted.

Plaintiff now pleads it has the rights of ownership and possession [*21] of its patent applications and the intangible intellectual property contained therein. It avers that Defendants interfered with its alleged properties by "(1) copying them without permission . . . , and (2) providing the copied property to a third party . . . ." 1AC P 38. Plaintiff asserts that "the owner of the patent has established his legitimate claim to exclusivity by filing the application with the patent office." Opp'n at 22. This argument is unpersuasive. A patent, not a patent application, grants an individual exclusivity over the invention claimed. *See* 35 U.S.C. § 154(a). And although *Kremen* recognized that intangible property could be converted, subsequent California cases addressing the application of the conversion tort to intangible property have suggested that this theory should not be expanded to "displace other, more suitable law." *Fremont Indem. Co. v. Fremont Gen. Corp.*, 148 Cal. App. 4th 97, 124, 55 Cal. Rptr. 3d 621 (2007); *see also Silvaco Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 2010 WL 1713241, at *17 n.21 (2010). For this reason, the Court declines to extend the tort of conversion to encompass claims concerning the copying of patent applications, which would implicate federal [*22] patent law. *Cf. Meeker v. Meeker*, 2004 U.S. Dist. LEXIS 22986, 2004 WL 2554452, at *6 (N.D. Cal.) (declining to extend conversion tort "to reach the intangible intellectual property rights in a trademark").

It does not follow, however, that the tort of conversion cannot protect any intangible intellectual property. Plaintiff cites *TeraRecon, Inc. v. Fovia, Inc.*, in which the Court recognized that, under *Kremen*, a plaintiff could plead a conversion claim for "computer code, confidential information concerning its customers and potential customers, business plans and other corporate planning documents, and products plans." 2006 U.S. Dist. LEXIS 48833, 2006 WL 1867734, *9 (N.D. Cal.). However, the conversion claim plead in *TeraRecon* did not involve the copying of material for which the plaintiff sought patent protection. The other cases cited by Plaintiff also did not concern the conduct alleged here. *See, e.g., G.S. Rasmussen & Associates*, 958 F.2d at 903 (conversion of certificate granted by FAA that conferred rights on plaintiff); *Infuturia Global Ltd. v. Sequus Pharmaceuticals, Inc.*, 2009 U.S. Dist. LEXIS 13570, 2009 WL 440477, at *5 (N.D. Cal.) (conversion of rights granted under contract).

Plaintiff does not state a claim of conversion based on its allegations that [*23] Defendants copied its patent applications. Accordingly, the Court dismisses Plaintiff's conversion claim with prejudice.

III. Motion to Strike Request for Punitive Damages

Plaintiff seeks punitive damages based on its claims for breach of fiduciary duty, alleging that Defendants committed oppression and fraud.

In California, a plaintiff may seek punitive damages if, in an action not arising from a breach of contract, "it is proven by clear and convincing evidence that the defendant has been guilty of oppression, fraud, or malice." Cal. Civ. Code § 3294(a). "Oppression" is defined as "despicable conduct that subjects a person to cruel and unjust hardship in conscious disregard of that person's rights." *Id.* § 3294(c)(2). "Fraud" is "an intentional misrepresentation, deceit, or concealment of a material fact known to the defendant with the intention on the part of the defendant of thereby depriving a person of property or legal rights or otherwise causing injury." *Id.* § 3294(c)(3).

Defendants do not challenge Plaintiff's request for punitive damages to the extent it rests on oppressive conduct, apparently conceding that Plaintiff's pleadings are sufficient. Thus, Plaintiff may seek punitive [*24] damages to the extent that its request is based on Defendants' oppressive conduct.

Defendants argue that Plaintiff has not plead fraud in accordance with Rule 9(b). In particular, they complain that Plaintiff has not plead the "times, dates, places or other details" of their alleged fraudulent activity. Reply at 15. However, Plaintiff appears to seek punitive damages for its breach of fiduciary duty claim based on a failure to disclose material facts. In cases involving non-disclosures, a modified pleading standard applies "on account of the reduced ability in an omission suit 'to specify the time, place, and specific content' relative to a claim involving affirmative misrepresentations." *In re Apple & AT & TM Antitrust Litig.*, 596 F. Supp. 2d 1288, 1310 (N.D. Cal. 2008) (quoting *Falk v. Gen. Motors Corp.*, 496 F. Supp. 2d 1088, 1099 (N.D. Cal. 2007)). Plaintiff's failure to plead the time, date and place of Defendants' alleged non-disclosures does not defeat its re-

quest for punitive damages. Plaintiff pleads specific facts it considers material, about which Defendants knew but failed to disclose. Plaintiff also avers scienter and intent generally, as allowed under Rule 9(b). Thus, Plaintiff [*25] may seek punitive damages based on fraud.

Accordingly, Defendants' motion to strike Plaintiff's request for punitive damages is denied.

CONCLUSION

For the foregoing reasons, the Court GRANTS in part Defendants' Motion to Dismiss and DENIES it in part. (Docket No. 22.) Plaintiff's claim for conversion is dismissed with prejudice. Defendants' Motion to Strike is DENIED. A case management conference is scheduled for June 22, 2010 at 2:00 p.m.

IT IS SO ORDERED.

Dated: June 4, 2010

/s/ Claudia Wilken

CLAUDIA WILKEN

United States District Judge