IP ETHICS

Markey American Inn of Court

Group I

February 23, 2016

POLLEVERYWHERE TEST QUESTION

- Who should succeed Justice Scalia on the Supreme Court?
  A. Attorney General Loretta Lynch
  B. Judge Sri Srinivasan
  C. President Barack Obama
  D. Judge Andrew J. Guilford

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FACT PATTERN 1

A sues B for patent infringement. B wins. B then sues A for antitrust violations alleging a "sham" patent case to drive B out of the market. B seeks to recover the attorneys' fees it incurred defending the patent case.

Q1. May lawyer X, who defended company B in the patent case, prosecute the antitrust case and also be a witness regarding the damages in the form of fees incurred in the initial case?

A. Yes, he can prosecute the case and be a witness.

B. No, he cannot both prosecute the case and be a witness.

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Q1 NOTES

- **Rule 5-210 - Member as Witness.** A member shall not act as an advocate before a jury which will hear testimony from the member unless:

  (A) The testimony relates to an uncontested matter; or

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

  (C) The member has the informed, written consent of the client. . . .

FACT PATTERN 2

A law firm employs a long-term patent agent, Bob. Bob has contributed greatly to the success of the firm and wants to be a partner.

Q2A. Can the firm make Bob a partner?

A. Yes, of course.

B. Yes, but not an equity partner.

C. No, because Bob is not a lawyer.

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Q2A NOTES

- **CRPC 1-310** - Partnership With a Non-Lawyer.

A lawyer cannot form a partnership with a non-lawyer if the partnership includes the practice of law.

FACT PATTERN 2 (CONT.)

Q2B. Can the firm pay Bob a percentage of fees collected for work he performs on a specific client?

A. Yes, of course.
B. Yes, if the client consents in writing.
C. No, because Bob is not a lawyer.

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Q2B NOTES

- **CRPC 1-320** - Financial Arrangements With Non-Lawyers.
  - (A) A lawyer cannot share legal fees with a non-lawyer, except […]
    - (3) A lawyer may include employees in a compensation plan based on profit-sharing if the plan does not circumvent these rules or Bus. & Prof. Code section 6000 et seq.

FACT PATTERN 3

Company X is your client, and Charlie is the CEO. Evan is an employee of X, and the sole named inventor on one of X's patents being litigated. You previously accepted a deposition subpoena on Evan's behalf, with his consent.

Evan asks you to get him out of the deposition. He also tells you he believes he is the owner of the patent.

Q3A. What do you tell Evan?

A. He must appear for the deposition or he may be held in contempt.

B. He should seek independent counsel because you are counsel for Company X, and you cannot advise him on these issues.

C. Any information he discloses to you may be used against him for the benefit of Company X.

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FACT PATTERN 3 (CONT.)

Q3B. What do you tell CEO Charlie?

A. Evan wants to get out of the deposition and believes he owns the patent.

B. None of the info in (A), because that would violate your duty of confidentiality to Evan.

C. Meet with Evan and figure out if Evan is going to be cooperative.

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Q3A, B NOTES

- **CRPC 3-600** – Organization as a Client.
  - (D) In dealing with an organization's employee, a lawyer shall explain the organization is the client, whenever it is or becomes apparent that the organization's interests are or may become adverse to those of the employee. The lawyer shall not mislead the employee into believing the employee may communicate confidential information to the lawyer that will not be used in the organization's interest.

FACT PATTERN 4

Your client, G Co., wants a freedom to operate opinion for a new product they want to launch (to share with the Board and select investors), but they ask you not to put anything in writing until you discuss the findings with them first.

The client, however, is anxious about the project and e-mails you often for updates.

After weeks of work, and extensive research by hard working associates, the outlook is not good.

Your team and G Co. have a meeting to discuss the findings. G Co. emphatically does not want a formal opinion to be drafted, unless it can be written in terms favorable to them.

FACT PATTERN 4 (CONT.)

Q4. How should you advise G Co.?

A. I understand.
I am sure you will understand next month's statement will reflect the work we put into this matter.

B. I understand you do not want an official opinion unless it is favorable.
I would like to give you this internal memo anyway. The law could change, so, in the future, it will be read in today's legal context only.

C. I understand you do not want an official opinion unless it is favorable.
However, our e-mails and other informal work product may not be fully protected from discovery by attorney-client privilege or work product immunity. It would not look good for either of us if an opinion conflicted with, or could not be supported by, the current legal standard.

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Q4 NOTES

In addition to **Rule 11**:

- **CRPC 3-200** - Prohibited Objectives of Employment.
  - A member shall not … continue employment if the member knows or should know that the objective . . . is:
    - (A) To bring an action, conduct a defense, assert a position in litigation, or take an appeal, without probable cause and for the purpose of harassing or maliciously injuring any person; or
    - (B) To present a claim or defense in litigation that is not warranted under existing law, unless it can be supported by a good faith argument for an extension, modification, or reversal of such existing law.
- **CRPC 3-210** - Advising the Violation of Law. A member shall not advise the violation of any law, rule, or ruling of a tribunal unless the member believes in good faith that such law, rule, or ruling is invalid. A member may take appropriate steps in good faith to test the validity of any law, rule, or ruling of a tribunal.

Q4 NOTES (CONT.)

- Resist client pressure to give less-than-candid opinions on validity or non-infringement to advance the client's business goals or provide willful infringement protection.
- Even in view of *Seagate* and the AIA, prepare all documentation of advice (including e-mail) with care, knowing that actual opinions may not be protected from discovery by the attorney-client privilege or work product immunity.
- Take care in view of the changing legal landscape regarding patentable subject matter and infringement standards (*e.g., Alice, Limelight*)
- Consider including a disclaimer: "We will not automatically revisit our opinion in view of changes in the applicable law."

FACT PATTERN 5A

In a patent case involving complex telecommunications patents, Adam represents the patent owner, and Brian represents the accused infringer. Adam researches Brian at the start of the case, and, although Brian appears to be a competent business litigator, it does not appear he has any experience with patent litigation.

Q5A. Is Brian competent to represent the infringer in this patent case?

A. Yes.
B. No.

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FACT PATTERN 5B

Adam notices some oddities during discovery. Brian combines several prior art references under Section 101 and 112 in his invalidity contentions, and he alleges that the asserted patent is anticipated by combinations of references. Brian also moves for summary judgment of non-infringement on the grounds that the patent owner lied to a retailer to acquire an accused product for its pre-filing investigation.

Q5B. Is Brian competent to represent the infringer in this patent case?

A. Yes.

B. No.

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FACT PATTERN 5C

Q5C. Does Adam say something to:

A. The bar?
B. The accused infringer?
C. The judge?
D. None of the above.

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Q5C NOTES

- Re: A. the bar: **CRPC 1-120** vs. **ABA Model Rule 8.3**

- Re: B, the accused infringer: **CRPC 2-100 Communication With a Represented Party**
  - (A) While representing a client, a member shall not communicate directly or indirectly about the subject of the representation with a party the member knows to be represented by another lawyer in the matter, unless the member has the consent of the other lawyer.

- Re: C, the judge, **CA Bus. & Prof. Code 6068(b)**

FACT PATTERN 6

A patentee and its licensee sue the same defendant for patent infringement. Your firm represents both plaintiffs.

Patentee's interests are validity and gaining royalty income. Licensee's primary interest is selling the product.

Defendant proposes a settlement proposal that is acceptable to one, but not both, plaintiffs.

Q6. What is your obligation as plaintiff's counsel?

Disclose the settlement proposal to each client and

A. Encourage the plaintiffs to work it out together
B. Avoid unduly influencing either client into accepting an unwanted settlement
C. Encourage the plaintiffs to hire settlement counsel

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Q6 NOTES

- *See* **ABA Formal Opinion 06-438** (Feb. 10, 2006) A lawyer in this situation should fully disclose all settlement proposals to each client and avoid unduly influencing either client into accepting an unwanted settlement.
  - Counsel may be forced to withdraw from the representation
  - It may be possible with appropriate disclosure and consent to obtain "settlement" counsel for one of the plaintiffs so that the firm can continue to represent the other.

- **ABA Model Rule 1.8(g)** precludes a lawyer from participating in the making of an aggregate settlement unless each client consents after consultation
  - Waiver/joint representation letter
  - May not resolve all issues

FACT PATTERN 7

Client meets with Partner A at Law Firm's DC office about potential IP litigation against Competitor. They discuss potential venues and strategies. Client says he will get back to Partner A.

A month later, Client calls Partner A to begin the suit. Partner A declines, saying that, in the meantime a conflict arose. Partner A cannot divulge more information.

Client hires another firm and sues Competitor in California.

Competitor answers, represented by Partner B in Law Firm's VA office. Law Firm refuses to withdraw, alleging an ethical wall is in place, and that Partner A's short meeting with Client addressed only high-level issues - as an MCLE program would.

FACT PATTERN 7

Q7. Client moves to disqualify Law Firm. How does the Court rule?

A. Law Firm is **not disqualified** because no attorney-client ethical obligations arose from a preliminary meeting.

B. Law Firm **is disqualified** because Client expected meeting to be confidential and to create ethical obligations, which are imputed to entire Law Firm.

C. Only Partner A, who met Client, is disqualified; others in Law Firm may represent Competitor **with ethical wall** in place.

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Q7 NOTES

- **Attorney-Client Relationship Begins Before Formal Retention**
  - The fiduciary relationship between lawyer and client ***extends to preliminary consultations*** by a prospective client .
  - When a party seeking legal advice consults an attorney and secures that advice, the attorney client relationship is established ***prima facie***.
  - The primary concern is whether and to what extent the attorney ***acquired confidential information***.
  - Even the ***briefest conversation*** between a lawyer and a client can disclose confidences.
  - ***A formal retainer agreement is not required*** before attorneys acquire fiduciary obligations of loyalty and confidentiality.

Dept. of Corps. v. Speedee Oil Change Sys., Inc., 86 Cal.Rptr.2d

Q7 NOTES

- **In CA, Must Obtain Informed Written Consent For Ethical Wall**
  - CA Rule 3-310(C)(3):
    - "A member shall not, ***without the informed written consent of each client***" represent clients who are adverse to each other in the same matter.
  - ***But*** contrast ABA Model Rule 1.18:
    - Permits unilateral ethical screening by lawyer re: prospective client if:
    - (i) the disqualified lawyer ***is timely screened*** from participation in the matter and is apportioned no fee; and
    - (ii) ***written notice*** is promptly given to the prospective client.

Q7 NOTES

- **Lawyer DQ'd Cannot Collect Fees**

  - "It is the general rule in conflict of interest cases that where an attorney violates his . . . ethical duties to the client, the ***attorney is not entitled to a fee*** for his . . . services."

Cal Pak Delivery, Inc. v. United Parcel Service, Inc. (1997) 52 Cal.App.4th 1, 14

FACT PATTERN 8

Sally from law firm X represents company A in connection with patent matters for spinal implants. Company B asks Joe from law firm X to file a patent application with respect to hip implants, which may also have spinal applications.

Q8A. May Joe prosecute the application?

A. Yes

B. No

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FACT PATTERN 8 (CONT.)

Q8B. May a lawyer render an opinion to Client A on whether it is infringing Client B's patent?

A. Yes
B. No
C. It depends.

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Q8A, B NOTES

- *Maling v. Finnegan Henderson* – when is it ok for a firm to prosecute patents on similar technology for different clients. There was also a case long ago discussing this conflict in dicta (*Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995)).
- In *Andrew Corp. v. Beverly Mfg. Co.*, 415 F. Supp. 2d 919, 924 (N.D. Ill. 2006), the court held that a law firm's opinions for Client A that its devices did not infringe patents held by Client B constituted direct adversity to Client B for conflicts purposes. Thus, the court ruled that the opinions were not legally "competent" and excluded both the opinions and testimony of the opinion authors on the issue of willfulness.
  - The court imposed this remedy even though the firm and the opinion authors were not counsel of record for either A or B in the patent infringement litigation involving B's patents and A's devices. *See also* Virginia Opinion 1774 (Feb. 13, 2003) (giving opinion challenging validity of another client's patent is "directly adverse" representation and violates Rule 1.7(a) of Virginia Rules of Professional Conduct).
- **CRPC 3-100** - Confidential Information of a Client.
  - (A) A member shall not reveal information protected from disclosure by Business and Professions Code section 6068, subdivision (e)(1) without the informed consent of the client, or as provided in paragraph (B) of this rule [*relating to commission of a crime*].

FACT PATTERN 9

Q9. If moving for DQ, is it important to argue it is not being brought for some other purpose (*e.g.*, delay)? Is it important to try to convince the Court that the opposing attorney has actual, as opposed to theoretical, knowledge that could impact the case?

A. Yes, these considerations are important.
B. No, these considerations are irrelevant.

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QUESTIONS?

COMMENTS?

Thank you!