

IP Conflicts of Interest

**In a Large Firm, with an International Presence,
in a Big Country with Many Industries**

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A Disclaimer

The situations, names, etc. used in the hypothetical situations that I am going to discuss are not reflective of actual situations in which I have found myself or my firm. Rather, they are chosen to illustrate a point.

Some Background

- ❖ I work in one of four Texas offices of an international law firm based in the US.
 - About 850 attorneys worldwide.
 - About 15% of our work is IP related.
 - Thousands of clients, tens of thousands of matters.
- ❖ Conflicts are a big issue for a firm like ours.
 - They can be hard to identify.
 - They require a level of intentionality to detect.
- ❖ Not all clients are appropriate for us, and we are not appropriate for all clients.

Overview

- ❖ General Principles to Avoid Conflicts.
- ❖ U.S. Conflict Rules are Diverse.
- ❖ Business Conflicts Issues and Solutions.
- ❖ Subject Matter and Client Conflicts Issues and Solutions.

Conflict Rules Are Diverse

❖ State Rules

- There are 50 states, each with their own rules.
- Most state bars are self-governing and draft and enforce their own rules.

❖ American Bar Association (ABA) Model Rules

❖ U.S. Patent and Trademark Rules

But, the General Principle is Simple

- ❖ You cannot represent on client in a manner directly adverse to another without:
 - Disclosure to both clients; and
 - Permission.
- ❖ Question is, “What is directly adverse?:”
 - Cannot sue one client for another.
 - Cannot negotiate against one client for another.
 - What about technology areas? It can get complicated.
- ❖ Also, how can one obtain permission.

Texas Conflict Rules

- ❖ In either of the following two situations, the lawyer/firm must obtain consent from all affected clients/prospective clients plus the lawyer/firm must reasonably believe that the representation of each client will not be materially affected:
 - If the representation creates direct and material adversity as to another client or the lawyer/firm's own interests in a substantially related matter, TR 1.06(b)(1), **OR**
 - If the representation may be adversely limited by the lawyer/firm's (1) own interests or (2) responsibilities to another client or third person, TR 1.06(b)(2)

ABA Conflict Rules

- ❖ If the representation creates direct adversity as to another client: the lawyer/firm must obtain consent from all affected clients/prospective clients plus lawyer/firm must reasonably believe that the lawyer-client relationship with clients will not be adversely affected, MR 1.7(a), **OR**
- ❖ If the representation may be materially limited by the lawyer/firm's (1) own interests or (2) responsibilities to another client or third person: the lawyer/firm must obtain consent from all affected clients/prospective clients plus the lawyer/firm must reasonably believe that the representation of each client will not be adversely affected, MR 1.7(b)

USPTO Conflict Rules

- ❖ (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. Section 10.66(a)
- ❖ (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. Section 10.66(b)
- ❖ (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. Section 10.66(c)
- ❖ (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. Section 10.66(d)

“Business Conflicts” – Issues

- ❖ These are NOT true conflicts.
- ❖ Created by Client: Client specifically requests that you do not represent any other clients in their competitive field.
- ❖ Created by Firm: Potential client desires to hire you, but a colleague requests that you do not represent client.
- ❖ Created by You: Potential client only has a minimal amount of work in an area that could create conflicts with potential larger clients.

“Business Conflicts” – “Solutions”

- ❖ Realize that they can messy.
- ❖ As a general principle your clients should not be able to tell you who your other clients can be.
 - Your client’s business may impact your ability to work for others.
 - You owe confidentiality to all clients.
- ❖ Implement appropriate screening procedures to determine if a client fits the firm:
 - Strength and quality of relationship.
 - Likelihood that client could create additional conflicts.
 - Has potential client discharged and/or sued previous counsel?

Subject Matter and Client Conflicts – Issues

- ❖ Sometimes they are easy to identify:
 - Rendering an invalidity or non-infringement opinion on an existing client's patent.
 - ❖ What about a former client's patent if you did not prosecute the patent?
 - ❖ What if there is no need to interpret the claims. Rather, a facial reading of the claims confirms there is no infringement issue.
 - Prosecuting two patent applications that have similar subject matter and claims.
 - Prosecuting a patent application that has claims that could cover another client's product.

Subject Matter and Client Conflicts-Problems

- ❖ Sometimes they are difficult to identify:
 - Responding to an office action where the primary reference is a patent or application assigned to a client.
 - Multiple clients in the same technology area.
 - ❖ Conscious or unconscious use of confidential information between different clients.
 - ❖ Duty of Candor with USPTO could become an issue.
 - Parents and Subsidiaries/Related Companies
 - ❖ U.S. court's do not take a uniform approach. Some presume the existence of a conflict while some look at all the facts to determine whether a conflict exists

Subject Matter and Client Conflicts – Solutions

- ❖ Have procedures in place at firm.
 - Subject matter conflict forms for each new matter.
 - Client conflict forms for each new client or related companies of such clients.
 - Use software and continuously update firm database.
 - Avoid subject matter conflicts if at all possible.
- ❖ Waiver provisions in engagement letter for client conflict issues.
 - However, not all clients have engagement letters.
 - Not all clients will agree with waiver.

What if a Conflict Arises?

- ❖ Despite the best procedures, conflict issues can arise during a representation.
- ❖ Subject matters and claims can converge.
- ❖ One client can buy another client's opponent in a litigation.
- ❖ Your firm may want to hire a lateral attorney or partner who wishes to bring clients with them, causing potential problems.

Questions?

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