

the duty of loyalty of IP practitioners with respect to conflicts between clients

U.S.A.



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Altova v. Syncro Soft

Plaintiff's counsel was **DISQUALIFIED** :

- “a reasonable lawyer **should have known** that there was a significant risk” of a conflict
- “should have obtained written, informed consent from both parties.”

Client History

Firm A represented **Syncro Soft** (2004-2014):

- responding to a TM C&D letter from a third party -- 2004
- responding to a TD/© C&D letter *from Altova* in -- 2009
- trademark prosecution and counseling -- 2010-2014

Firm A began to represent **Altova** (2011)

- filed suit against an alleged trademark infringer (2012)

Firm A representing **Altova and Syncro Soft** (2011-2014)

- though not in matters where each was adverse to the other





The Ethical Dilemma

June 2017

- Firm A asked by Altova to sue Syncro Soft for patent infringement

July 2017

- Terminated its attorney-client relationship with Syncro Soft
- Filed the patent infringement suit



Court Rulings

- At the time the conflict arose, Syncro Soft was a ***current client***
- Unethical for a law firm to be adverse to a current client
 - The firm was

DISQUALIFIED

Hot Potato Rule

NOT OK to make a current client into a former one in order to be adverse to a former client in a matter *not substantially related* to the work done for former client



- Actual conflict arose only after both parties were clients
- Informed consent would necessarily violate its duties to Altova
 - Withdraw from representing either client



Rule 1.7 of the Model Rules of Professional Conduct

Prevents lawyers from representing a client whose interest is directly adverse to another current or previous client.

- **Comment 5:** Depending on the circumstances, the lawyer may have the option to withdraw from one of the representations in order to avoid the conflict.
- Rule 1.7 also encompasses a lawyer's duty to anticipate potential conflicts.

“A reasonable lawyer should have known there was a significant risk that Altova's interests would become adverse to Syncro Soft's concerning their XML products no later than November 2016 when Altova's patent issued, and then should have obtained written, informed consent from both clients or withdrawn from representing both parties on that matter.”

- Direct competitors
- Firm knew Altova vigorously protected its IP





The court stated that the firm should have known when Altova obtained its patent that Altova was reasonably likely to sue for patent infringement. But...

There's no indication the firm obtained the patent for Altova or knew of its existence until Altova approached Firm A in June, 2017.

We hope that the case won't be read as standing for the proposition that you need to monitor every patent one client obtains, to make sure you don't have a conflict.



- (1) the lateral mobility of attorneys
- (2) non-client “clients”
- (3) the problems courts experience in attempting to apply the “substantial relationship test” to IP cases

1. Never underestimate the possibility that your conduct could later provide grounds for a DQ.

- conflicts increase when IP attorneys move firms
- sanctions
- merger or lateral hire
- ethical wall



2. Remember that an individual whom you may not consider a client may nevertheless consider you to be his attorney.

- putative client's reasonable perception may control
- do more to make your non-representation clear
 - especially when non-client may ultimately appear on the opposite side of a suit



3. Don't represent yourself.



- Not objective
- Difficult to justify why client should pay
- Tendency to give DQ motions less attention than they deserve
- Interlocutory appeals of DQ orders are not permitted: trial court finality

4. Engagement Letter language.

- Permission in advance
 - Multiple clients
 - Limit subject matter
- Sometimes effective, sometimes not



Thank you!



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