

# The Ins and Outs of Conflicts of Interest

1

David Hricik

Professor, Mercer Law School

1

2

## Overview

- Current client conflicts:
  - The Fifth Circuit choice of law trap.
  - Client identity problems including recent CAFC case law defining who is/are the corporate client(s).
- Former client conflicts of interest
  - Migrating lawyers: a problem or in- and out-house counsel
- What is “adversity” in opinion and prosecution work?

2

## Current Client Conflicts: The Rules and the 5<sup>th</sup> Circuit Choice of Law Trap

- Texas Rule 1.06(b)(1) ostensibly permits a lawyer to be adverse to a current client so long as the adverse matter is not “substantially related” to the representations of the client.
  - If one lawyer in a firm is disqualified, all are. Tex. R. 1.06(f).
- But (a) in 5<sup>th</sup>, 10<sup>th</sup>, other federal courts “federal ethics” applies (*In re Dresser*) and (b) for “practice before the Office” (*e.g.*, prosecution, an IPR) the USPTO Rules apply
  - Fifth Circuit held in *Dresser* that federal law prohibits any representation adverse to a current client – even if the matters are completely unrelated. *See* USPTO Rule 11.107.
  - If one lawyer in a firm is disqualified, all are. Model Rule 1.10(a); USPTO Rule 11.110(a).

## The Fifth Circuit Choice of Law Trap

- Even though the Texas Rules allow adverse representations -- unless the adverse matter is substantially related to the representation of the client -- because of choice of law even if the adverse matter is unrelated to the representation of the client:
  - a federal court should DQ the firm;
  - in all “practice before the USPTO” – prosecution as well as an IPR – adversity is prohibited even if the matters are unrelated.

## So You Can't be Adverse to a Current Client: Who is the Client?

1. Inventors, officers, promoters claiming to have been clients remains an issue.
2. If a lawyer represents an entity, does she also “represent” its affiliates, subsidiaries, *etc.*?
  - Recent CAFC, other law, bar opinions leave murky whether a lawyer representing one entity can be adverse to a related entity, but factors include:
    - overlap in personnel / infrastructure; sharing of same officers / directors / management; share the same legal department; share substantial number of corporate services; integration of infrastructure (*e.g.*, computer networks, email, intranet, health benefits, letterhead, *etc.*)
  - So, there is *uncertainty*:
    - By representing a small part of a large corporation, outside counsel *may* be giving up a lot of business; in-house counsel may be expecting more loyalty than its client's business structure will support.

5

## 3. Joint Prosecution and Client Identity

- Lawyer is prosecuting for Client A.
- Client A & Party B have some form of a shared prosecution agreement (*e.g.*, joint development, license), which states:

“Client A shall manage and have the primary responsibility to file, prosecute, and maintain the patent applications, but Party B shall have reasonable opportunity to comment and advise on office actions, prosecution, and other filings.”
- Party B has lawyers representing it in this matter.

6

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: The Ins and Outs of Conflicts of Interest

Also available as part of the eCourse

[Hooked on CLE: March 2021](#)

First appeared as part of the conference materials for the  
25<sup>th</sup> Annual Advanced Patent Law Institute session

"The Ins and Outs of Conflicts of Interest"