ETHICS QUARTERLY

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IN THIS ISSUE . . .

Among the questions answered by rulings abstracted in this issue of *Ethics Quarterly* are:

- In an intellectual property dispute, was disqualification of plaintiffs' counsel warranted where the firm had represented defendant, the alleged originator of the idea in dispute, in corporate matters related to forming his company, but where the firm had provided guidance on intellectual property issues only through a firm partner who was a personal friend of the defendant and had never billed any time for his advice? (10.3.3)
- Was a former agency staff counsel's claim under the California Whistleblower Protection Act barred by her ethical duty of confidentiality where plaintiff alleged, among other things, that she was fired for refusing to take actions she reasonably believed violated her duties as an attorney? (10.3.7)
- Could an associate attorney escape liability for malicious prosecution where, while her name appeared on certain documents served and filed in the action, she asserted that any actions she took were at the direction of lead counsel? (10.3.9)

The Commentary is entitled: **"Just Between the Two of Us: Limits on Using Informal Attorney Advice as the Basis for Vicarious Disqualification."**

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CASE NOTES

10.3.1 Attorney-Client Privilege, Common-Interest Doctrine

Case: *Citizens for Ceres v. Superior Court* (2013) 217 Cal.App.4th 889

Issue: Does the common-interest doctrine protect from disclosure to the challenger of a project subject to approval under the California Environmental Quality Act ("CEQA") otherwise privileged communications shared between a project developer and a city prior to approval of the project where there was an assertedly high risk of litigation from the outset of the city's consideration of the project?

Holding: **No**. During the preapproval stage of a project subject to CEQA, only the applicant has an interest in the approval of the particular applicant's proposed development. By contrast, the city is required to analyze the project's environmental impacts objectively and reject the project if mitigation is unfeasible and if approval is not otherwise warranted for overriding reasons. Because of this divergence of interests, the common-interest doctrine did not preclude disclosure to the CEQA challenger of otherwise privileged documents between the city and the developer. Any applicable privileges were waived when the applicant and agency shared such documents with each other at that stage of the process.

For the common-interest doctrine to prevent waiver of applicable privileges: (1) the parties sharing such privileged communications must have a common interest in securing legal advice about the same matter; and (2) the communications must be made to advance their shared interest in securing legal advice on that common matter. (217

Cal.App.4th at 915, discussing *OXY Resources California LLC v. Superior Court* (2004) 115 Cal.App.4th 874.)

The critical question for the Court of Appeal as to the documents in question was "whether a lead agency can share with the project applicant a preapproval interest in the creation of a legally defensible [environmental impact report] that supports the applicant's proposal." The Court concluded that the agency could not.

The Court acknowledged that CEQA contemplates that the lead agency and applicant will work together on the environmental impact report needed for approval. But "the lead agency, as an agency, cannot have any commitment to the project as proposed until after environmental review is complete. This means its interests as it pursues the environmental review process are fundamentally not aligned with those of the applicant, and preapproval disclosure of communications by one to the other waives any privileges the communications may have had. [¶] For similar reasons, the policies behind the attorney-client privilege and the attorney work-product doctrine do not support the suspension of waiver principles when communications are disclosed between agency and applicant before project approval. The purpose of the attorney-client privilege is to enhance the effectiveness of the adversarial system by encouraging candid communication between lawyers and their clients. This purpose does not include encouraging strategizing between a private applicant and a government agency to meet a future challenge by members of the public to a decision in favor of the applicant if, at the time of the strategizing, the agency has not, and legitimately could not have, yet made that decision. The purpose of the attorney work-product doctrine is to allow attorneys to advise and prepare without risk of revealing their strategies to the other side or of giving the other side the benefit of their efforts. Before completion of environmental review, the agency cannot have as a legitimate goal the secret preparation, in collaboration with the applicant, of a legal defense of a project to which it must be still uncommitted." (217 Cal.App.4th at 919-920.)

Consequently, the Court concluded that the city and developer had waived the attorney-client privilege and the protection of the attorney work product doctrine for all communications they disclosed to each other before the city approved the project.

Notes: The Court of Appeal rejected the challenger's most sweeping contention that a provision of CEQA requiring that all materials be included in the administrative record "notwithstanding any other provision of law" (Pub. Resources Code § 21167.6) abrogated all privileges. "[T]he Legislature did not likely intend to make CEQA administrative records a privilege-free zone by indirect means of placing the phrase 'notwithstanding any other provision of law' at the beginning of section 21167.6, four subdivisions away from the administrative-record provisions in subdivision (e). . . . [I]f the Legislature had intended to abrogate all privileges for purposes of compiling CEQA administrative records, it would have said so clearly." (217 Cal.App.4th at 913.)

10.3.2 Anti-SLAPP, CCP § 425.16 – Attorney Activity Covered By

Case: *Malin v. Singer* (2013) 217 Cal.App.4th 1283

Issue: Under the anti-SLAPP statute, was an attorney entitled to have a cause of action for civil extortion stricken from a complaint where the claim arose from a demand letter the attorney wrote to two partners of the client's in a restaurant where the demand letter accused the client's two partners of embezzling company assets, among other things, in order to arrange sexual liaisons with older men, including a judge, and threatened to file an attached proposed complaint unless the matter was resolved promptly to the satisfaction of the attorney's client?

Holding: **Yes**. The attorney's demand letter did not constitute criminal extortion because the letter did not expressly threaten to disclose client's partners' wrongdoing to a prosecuting agency or the public at large. That is an element of criminal extortion. (Cal. Pen. Code § 519.) That distinguished the demand letter from those in *Flatley v. Mauro* (2006) 39 Cal.4th 299 and *Mendoza v. Hamzeh* (2013) 215 Cal.App.4th 799,

which were held to be subject to claims for extortion that the anti-SLAPP statute did not preclude. (217 Cal.App.4th at 1299.)

Having concluded that the letter fell within the first prong of the anti-SLAPP analysis as arising out of protected activity, the Court of Appeal further found that the attorney had demonstrated the requisite likelihood of prevailing on the merits. The litigation privilege found in Civil Code § 47(b) barred the extortion claim. The attorney's demand letter was logically connected to a lawsuit against the client's business partners when that lawsuit was contemplated and under serious consideration when the letter was sent and, indeed, was eventually filed. (217 Cal.App.4th at 1302.)

Note: The Court of Appeal remanded the matter to the trial court to determine the attorney fees to be awarded to the moving attorney and his client as partially prevailing defendants on the anti-SLAPP motion. The trial court was directed to include in its award to defendants fees incurred on appeal for this purpose, but to exclude fees incurred in an unsuccessful attempt to strike two other causes of action for wiretapping and computer hacking that the Court of Appeal held had properly been stricken. (217 Cal.App.4th at 1305-1306.)

10.3.3 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Nextdoor.Com, Inc. v. Abhyanker* (N.D.Cal. 2013) 2013 WL 3802526

Issue: In a dispute over intellectual property related to social network websites, was disqualification of plaintiff's counsel warranted where: (1) the law firm representing plaintiff had advised defendant, alleged originator of website concept, in various matters related to the formation of defendant's company; but where (2) the firm's billing records indicated that the partner designated in the retainer agreement as the lead on intellectual property in defendant's matter, a close personal friend of defendant's, had never billed any time to defendant's matter; and (3) that partner was screened off from the current matter after defendant raised concerns about the firm's involvement when litigation began between the parties?

Holding: **No**. The Court found that there was insufficient evidence that the prior representation was substantially related to the current adverse representation to warrant disqualification under Rule of Professional Conduct 3-310(E) and *Flatt v. Superior Court* (1994) 9 Cal.4th 275, 283.

As to the scope of the firm's former representation of the defendant, the Court credited the statements in a declaration of a firm attorney not involved in the current matter who had comprehensively reviewed the file of the firm's former representation of the defendant and his company and had determined that the form representation had not included advice about intellectual property matters. Other than asserting in his declaration that the lead attorney on intellectual property issues had in fact provided assistance on intellectual property strategy, defendant offered no specific information or documents that contradicted the statements in the firm's declaration about the scope of the former representation – even though defendant apparently had requested and received the firm's file on the representation. (2013 WL 3802526 at *13.)

According to the declaration submitted by the firm attorney who had reviewed the file, the firm's prior representation had been limited to incorporating the defendant's company, including drafting documents related to financing and corporate structure. The attorney who conducted the file review found no evidence that the firm had advised defendant or his company about trade secrets or had ever received any trade secret information in connection with the representation. "The fact that [the firm] represented a corporation for the purposes of incorporation and related matters is not likely to put [the firm] in the position where they would ordinarily be expected to have received confidences material to this representation (e.g. identity and ownership of trade secrets)." (2013 WL 3802526 at *14.) Bolstering this conclusion was that the

only attorneys who billed time to defendant's company's matter were in the firm's corporate practice group and that the attorney who had been designated lead on intellectual property issues in the representation had billed no time at all to the matter. (*Ibid*.)

The Court also found it "significant" that the attorneys who had spent the majority of the time handling defendant's company's matter were no longer with the firm. While the attorney designated the lead on intellectual property issues in the representation remained with the firm and, the Court acknowledged, may have received confidential information from defendant in the course of their friendship, "the fact that he did not bill any hours on the [defendant's company's] matter suggests that he did not receive any confidential information in his role as an attorney at" the firm. (2013 WL 3802526 at *15.)

In any event, the Court found that the firm had effectively screened from the current matter the attorney designated the lead in intellectual property issues during the former representation, though only after defendant raised concerns about the conflict in the first-filed lawsuit between the parties. The screen applied not only to that attorney, but to all attorneys who had billed time to the former matter as well as to those who had attended social functions with defendant at that attorney's home. (2013 WL 3802526 at *15.)

Note: Absent supporting documentation from defendant, the Court declined to credit defendant's assertion that the intellectual property attorney may have provided assistance to defendant and his company for which the attorney did not bill, pursuant to the firm's practice of providing some service to start-up clients for free. (2013 WL 3802526 at *13, note 14.)

10.3.4 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Fiduciary Trust International of California v. Superior Court* (2013) 218 Cal.App.4th 465

Issue: In a dispute between the administrator of wife's estate and the trustees of a marital trust established by husband's will over whether marital trust was obligated to pay estate and inheritance taxes due on wife's assets, was disqualification of the firm representing trustees required where a firm attorney previously had drafted wife's will and jointly had advised her about her and husband's estate plan?

Holding: **Yes**. The Court of Appeal granted a writ reversing the trial court order denying the motion to disqualify. There was no dispute that the firm's prior representation was direct and was substantially related to the current tax dispute. The Court of Appeal concluded that it was therefore "rational to conclude" that, during the course of the representation of wife, the firm attorney handling the matter would have explained to her the meaning of significant terms of the wills, including the term requiring that the marital trust pay all taxes due upon her death unless "other adequate provisions" had been made for the payment of those taxes. Given that, it was improper for the trial court to consider whether the firm's attorney had actually obtained confidential information that the firm might find useful in the current litigation for purposes of evaluating disqualification. The law presumes that such confidential information had been shared. (218 Cal.App.4th at 481, relying on *Jessen v. Hartford Casualty Insurance Company* (2003) 111 Cal.App.4th 698 and other cases.)

The Court of Appeal rejected the firm's argument that disqualification was not warranted because the firm had represented husband and wife jointly, meaning that there were no confidences between the clients during the representation which would have required the firm's disqualification in the later representation. The duty not to represent interests adverse to a former client without informed written consent is broader than the evidentiary joint-client exception to the attorney-client privilege. The

firm previously represented both husband and wife in estate planning matters and could not assert, on behalf of husband's representatives, that the documents the firm prepared during the joint representation should be interpreted in a manner that would substantially reduce the value of wife's estate or trust, thereby harming her interests. (218 Cal.App.4th at 485.) Moreover, there was no evidence that the firm had disclosed to wife the adverse effects of the joint representation or obtained wife's consent to the firm's continuing to represent husband should a conflict arise. (*Id*. at 486.)

The Court of Appeal disagreed with the firm that, under *Zador Corporation v. Kwan* (1995) 31 Cal.App.4th 1285, the substantial relationship test has no application to successive representation where the attorney jointly represented the parties in the prior proceeding. "[T]he essential holding of *Zador* is that, when an attorney undertakes a representation of one former client against another in a substantially related matter, disqualification motions should be evaluated based on whether the attorney complied with ethical disclosure and consent rules applicable to multiple party representations." (218 Cal.App.4th at 488.) Contrary to the contention of the firm, the ethical rule concerning multiple parties in effect at the time wife signed the will that the firm had drafted for her, like the ethical rule adopted several months after wife signed the will, required the firm to obtain wife's written consent before jointly representing her and husband in estate planning matters. There was no evidence that the firm ever obtained such consent. (*Id*. at 489.)

The Court of Appeal also rejected the firm's contention that wife had impliedly waived any right to seek disqualification because: (1) before her death, wife had litigated numerous action against the marital trust in which the firm represented the trust without wife seeking disqualification; and (2) the administrator for wife's estate waited two months after discovering the firm's earlier representation of wife before moving to disqualify the firm. The Court of Appeal held that the trustees of the marital trust had failed to offer any evidence demonstrating they had suffered the requisite "extreme prejudice" from the delay in bringing the motion. (218 Cal.App.4th at 490.)

10.3.5 Disqualification of Counsel for Access to Opposing Expert

Case: *Kane v. Chobani, Inc.* (N.D.Cal. 2013) 2013 WL 3991107

Issue: In action alleging deceptive food labeling, was disqualification of plaintiffs' counsel warranted where: (1) defense counsel had a series of confidential communications with defense expert pursuant to a consulting and confidentiality agreement; (2) plaintiffs' counsel later conferred with same defense expert about providing services in a number of food and beverage deceptive labeling cases plaintiffs' counsel were handling, including this one; (3) expert agreed to be retained in some cases, but not this one, but declined to tell plaintiffs' counsel why; (4) defense expert agreed not to appear or provide testimony for a party adverse to plaintiffs' counsel in the food and beverage cases; and (5) plaintiffs' counsel never mentioned defendant by name to defense expert or discussed how defendant might defend the lawsuits?

Holding: **No**. Party seeking disqualification of opposing counsel based on opposing counsel's contact with moving party's expert must show: (1) the expert received from moving party or counsel confidential attorney-client information materially related to the action; (2) the expert has disclosed that information to opposing counsel; and (3) opposing counsel's continued representation threatens to taint further proceedings. (2013 WL 3991107 at *7, citing, among other authorities, *Collins v. State* (2004) 121 Cal.App.4th 1112.)

The Court found that defense expert had obtained confidential information from defendant requiring expert's disqualification from the case, but focused on the more difficult question of whether expert had shared that information with plaintiffs' counsel warranting plaintiffs' counsel disqualification as well. The Court found that there was no evidence that expert had shared such confidential information with plaintiffs'

counsel. Defendant relied on *Shadow Traffic Network v. Superior Court* (1994) 24 Cal.App.4th 1067 for the proposition that once a moving party establishes that it had shared confidential information with an expert who had ex parte contact with an opposing party, a rebuttable presumption arises that the expert shared the confidential information with the opposing party. (2013 WL 3991107 at *9.) Relying on the more recent cases of *Collins, supra*, and *Shandralina G. v. Homonchuk* (2007) 147 Cal.App.4th 395, the Court concluded the presumption does not apply where the expert remains available to the moving party, either because the expert remains under the moving party's control or because there is no legal impediment to the moving party obtaining evidence from the expert that confidential information had been shared with the opposing party.

The Court found that defendant had failed to meet its burden of showing plaintiffs' counsel had actually acquired defendant's confidential information from expert. The only evidence about what the expert had shared with plaintiffs' counsel came from the declarations of plaintiffs' counsel. The Court found no evidence that expert had disclosed to plaintiffs' counsel defendant's confidential information regarding the three theories in this case that overlapped onto the other food and beverage cases on which plaintiffs' counsel consulted expert.

There was also no evidence that plaintiffs' counsel's continued participation in the case would taint the proceedings. Absent evidence that defense expert had actually relayed defendant's confidential information to plaintiffs' counsel, the Court declined to impose the "drastic measure" of disqualification on the basis of hypothetical disclosures. (2013 WL 3991107 at *14.) Under California law, disqualification may not be based on the appearance of impropriety alone. (*Ibid*. at note 10.)

Notes: The Court did not condone plaintiffs' counsel's conduct. Once plaintiffs' counsel learned that expert had a conflict with defendant that would prevent expert from appearing adverse to defendant, plaintiffs' counsel easily could have asked defense counsel whether defendant's relationship with expert would present a conflict. "Plaintiffs' Counsel's failure to make this simple phone call risked breaching [defendant's] confidences, and could have required Plaintiffs' counsel's disqualification." (2013 WL 3991107 at *14.)

The Court also expressed its deep disappointment in plaintiffs' counsel abdicating their ethical responsibility to learn more about the nature of the conflict between expert and defendant by relying on information from expert alone. "[C]ounsel cannot rely on non-attorney experts with pecuniary incentives to discharge an attorney's ethical duties." 2013 WL 3991107 at *15.)

The Court disqualified expert and further held that plaintiffs' counsel "will be disqualified from this case if they communicate further with [expert] about the issues in the instant action" without a waiver from defendant. (2013 WL 3991107 at *16.)

10.3.6 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *FlatWorld Interactives LLC v. Apple Inc.* (N.D.Cal. 2013) 2013 WL 4039799

Issue: In a patent infringement action, was disqualification of the law firm representing plaintiff warranted where a partner who headed the environmental practice of one of defendant's outside law firms ("law firmer partner"), who also was the husband of one of plaintiff's co-founders and provided legal assistance to plaintiff contrary to his ethical duties, but where there was no evidence that the partner had material confidential information about the defendant or that he had communicated substantively with plaintiff-company about the pending litigation?

Holding: **No**. As a partner at one of defendant's outside law firms, law firm partner was barred from being adverse to his firm's long-time client, defendant. By acting as an attorney

for defendant's adversary, even in an unpaid capacity and even though his wife was plaintiff's co-founder, law firm partner violated his duty to defendant as an attorney. There was no evidence that he actually possessed confidential information belonging to defendant that he could or did pass on to plaintiff's counsel, other than an email from the firm's general counsel expressing concern about a potential conflict. Plaintiff's counsel was not tainted and its disqualification was not warranted. (2013 WL 4039799 at *10.)

The Court first found that law firm partner had violated his ethical duties to defendant, a client of his firm, over a period of six years by providing assistance to an adversary of a firm client, including assisting his wife and plaintiff-company in finding a law firm that would sue defendant for patent infringement. California case law is clear that an attorney may not act against his law firm's client and that is exactly what the former partner did while he was at the firm. (2013 WL 4039799 at *6-7.)

Law firm partner's conduct was not enough, however, to warrant disqualification of plaintiff's counsel. There was no evidence that law firm partner ever received confidential information about defendant while he was employed at his former law firm, let alone passed such information on to plaintiff's counsel, beside telling plaintiff's counsel about defendant's concern about a potential conflict of interest. Law firm partner's involvement in this litigation "has been minimal at best." (2013 WL 4039799 at *7.) Plaintiff's counsel was not aware of former partner's ethical issues until defendant raised them and disqualification would prejudice plaintiff. (*Ibid*.)

The Court found that *Rico v,Mitsubishi Motors Corp.* (2007) 42 Cal.4th 807, in which an attorney was disqualified for making improper use of privileged material inadvertently left behind by opposing counsel, was inapposite. Plaintiff's counsel's conduct did not resemble the action of the disqualified attorney in *Rico* and plaintiff's counsel gained no advantage from learning from former partner the concerns defendant had about the potential conflict issue. (2013 WL 4039799 at *7.)

There also was no evidence that law firm partner actually had any confidential information about defendant. It was not enough that he was a partner at a law firm that represented defendant. Law firm partner never worked on any of defendant's matter while he was a partner at law firm; he practiced environmental law, not intellectual property law; defendant's patent work was performed in firm offices other than the one at which law firm partner worked; and there was no evidence, after an internal forensic investigation, that law firm partner had ever accessed or received any confidential information about defendant. (2013 WL 4039799 at *8.)

Moreover, while there was evidence that plaintiff's co-founder and law firm partner's wife had forwarded to her husband numerous emails reflecting plaintiff's counsel's advice in the litigation, such "unidirectional flow of information – away from counsel of record, no less – does not suggest the existence of a material role being played by" law firm partner in this case. (2013 WL 4039799 at *9.)

Finally, the Court found that plaintiff would suffer significant hardship by having its counsel disqualified. The case was on the eve of a *Markman* hearing. It would be difficult for plaintiff to find replacement counsel, result in duplicative effort, and any such replacement of counsel would unduly delay prosecution of the case. (2013 WL 4039799 at *9.)

Note: The Court noted that defendant had not deposed law firm partner in connection with the motion to disqualify and that law firm partner had not himself submitted a declaration in opposition to the motion. (2013 WL 4039799 at *1, note 2.)

10.3.7 Attorney-Client Privilege, Duty of Confidentiality

Case: *Carroll v. State ex rel. California Com'n on Teacher Credentialing* (E.D.Cal. 2013)

2013 WL 4482934

Issue: Was former agency staff counsel's cause of action under the California Whistleblower Protection Act (Cal. Gov't Code § 8547) barred by her ethical duty of confidentiality and thereby subject to dismissal at the pleading stage of her wrongful termination action where plaintiff alleged, among other things, that she was fired for refusing to take actions she reasonably believed violated her duties as an attorney, including refusing to sign a letter requesting more information from a credentialing applicant because she believed the request would violate various laws?

Holding: **No**. The Court analyzed and applied *General Dynamics Corp. v. Superior Court* (1994) 7 Cal.4th 1164, in which the California Supreme Court addressed the circumstances under which an in-house attorney may bring a claim for retaliatory discharge against her former employer-client. The California Supreme had ruled that an in-house counsel may sue her former employer for retaliation: (1) where the attorney alleged that she was fired for violating a mandatory ethical duty *or* (2) in those limited instances in which in-house counsel's nonattorney colleagues would be able to sue for retaliatory discharge *and* governing ethical rules or statutes expressly remove the requirement of attorney confidentiality. (2013 WL 4482934 at *4-5.) The California Supreme barred such a suit by in-house counsel "where the elements of a wrongful discharge in violation of fundamental public policy claim cannot, for reasons peculiar to the particular case, be fully established without breaching the lawyer-client privilege. . . ." (2013 WL 4482934 at *5, quoting *General Dynamics*, *supra*, 7 Cal.4th at 1189.) The California Supreme Court also had warned that taking the "drastic action" of dismissing a lawsuit by a former in-house counsel at the pleading stage would seldom, if ever, be warranted on that basis. (2013 WL 4482934 at *5, quoting *General Dynamics*, *supra*, 7 Cal.4th at 1189.)

Applying those principles, the Court in this case found that confidentiality concerns did not categorically bar plaintiff's CWPA claim. It would have been "premature" to dismiss plaintiff's action at this point in the proceedings because it was not clear to what extent the lawsuit would actually require the disclosure of defendant's confidential information. (2013 WL 4482934 at *5, citing, *inter alia*, *Van Asdale v. International Game Technology* (9th Cir. 2009) 577 F.3d 989, 995.) Plaintiff adequately pled that at least some of the alleged conduct that allegedly led to her termination was required or supported by the California Rules of Professional Conduct. (2013 WL 4482934 at *6.)

The Court declined to follow a California Attorney General opinion that concluded that the protections of the CWPA that apply to employees of state and local entities do not apply to attorneys because of the rules governing the attorney-client privilege. (2013 WL 4482934 at *6-7, discussing and rejecting 84 Cal.Op.Att'yGen. 71 (2001).) The Court found that the Attorney General Opinion misrepresented a key provision of the CWPA on which its analysis was based. Relying on *General Dynamics*, the Court further found that whether the CWPA was intended to supersede the attorney-client privilege was not relevant when the attorney has alleged that she was terminated for refusing to violate a mandatory ethical duty. (2013 WL 4482934 at *7, citing *General Dynamics*, *supra*, 7 Cal.4th at 1188.) Where the attorney has alleged that the conduct for which she was fired was merely ethically permissible, the question under *General Dynamics* is not whether that permission is granted by the CWPA, but whether it is granted by *any* statute or ethical rule. (2013 WL 4482934 at *7, citing *General Dynamics*, *supra*, 7 Cal.4th at 1189.)

Notes: It was unclear to the Court whether defendants sought dismissal based on the attorney-client privilege, the attorney's duty of confidentiality, or both. The Court noted that, under California law, the duty of confidentiality is broader than the evidentiary attorney-client privilege. The Court used the terms interchangeably. (2013 WL 4482934 at *4, note 2.)

The Court found the rationale of the *General Dynamics* court for permitting retaliatory discharge actions by former in-house counsel especially compelling where the former employer was a public agency with an explicit duty to the public. The duties of public lawyers differ from those of private lawyers. "While this theoretical tension does not support plaintiff's broad theory that her client, for the purposes of the confidentiality privilege, is the people of California, the unique role of governmental lawyers requires a nuanced interpretation of the California Rules of Professional Conduct." (2013 WL 4482934 at *6, note 5, citing Rule of Prof. Conduct 3-600 ("Organization as Client").)

The Court dismissed plaintiff's First Amendment retaliation claim without prejudice because plaintiff had not met her burden, under *Ceballos v. Garcetti* (2006) 547 U.S. 410, 421, that she spoke as a private citizen rather than as a public employee in expressing her concerns. "As discussed above, to state a claim under the CWPA as an in-house attorney, plaintiff must demonstrate that her alleged protected actions were taken according to a mandatory or permissive law or ethical duty. If plaintiff had a mandatory duty as an attorney or, more specifically, as an in-house attorney for the [public agency], to perform any of the actions for which she allegedly suffered adverse consequences, then those actions cannot as a matter of law serve as the basis for a First Amendment retaliation claim. *Garcetti*, 547 U.S. at 424-425." (2013 WL 4482934 at *13.) The Court also, however, rejected defendants' claim that plaintiff's First Amendment claim was categorically barred because of confidentiality concerns for the same reasons it rejected the argument that the CWPA claim was barred for this reason. (2013 WL 4482934 at *14.)

10.3.8 Anti-SLAPP, CCP § 425.16 – Attorney Activity Covered By; Attorney Discipline

Case: *Barry v. State Bar of California* (2013) 218 Cal.App.4th 1435

Issue: In action brought by attorney in California superior court to vacate a stipulation with the State Bar in disciplinary actions against her, was State Bar entitled, as the prevailing party in an anti-SLAPP motion, to an award of attorney's fees against plaintiff where the trial court granted the motion on the ground that plaintiff had no reasonable probability of prevailing on her claims because the trial court lacked jurisdiction over State Bar disciplinary matters?

Holding: **No**. The trial court correctly found that the power to discipline California attorneys rested in the California Supreme Court alone and the State Bar acting as the Supreme Court's disciplinary arm. (218 Cal.App.4th at 1438.) That exclusive authority meant the superior court lacked subject matter jurisdiction over plaintiff's action, which sought to challenge the stipulated discipline, and the authority to rule on the State Bar's anti-SLAPP motion. (*Id*. at 1439.) Because the trial court lacked jurisdiction to rule on the anti-SLAPP motion, it also lacked the power to award attorney fees under that statute. (*Ibid*.)

10.3.9 Anti-SLAPP, CCP § 425.16 – Attorney Activity Covered By; Junior Attorney, Ethical Duties of

Case: *Jay v. Mahaffey* (2013) 218 Cal.App.4th 1522

Issue: Limited partners in a real estate and development company that held a long-term ground lease brought a malicious prosecution action against the property owners and their attorneys for joining the limited partners in the underlying action for the improper purpose of pressuring the limited partners into pressuring the general partner to settle the underlying dispute with the property owners. Was an associate attorney of lead counsel for the property owners potentially subject to liability where she asserted that she was just following the instructions of the lead attorney, but where she signed certain of the pleadings at issue, her name appeared on deposition notices served on

limited partners, and where she communicated with counsel for the limited partners?

Holding: **Yes**. The Court of Appeal first upheld the trial court order denying lead counsel's anti-SLAPP motion, concluding that there was "overwhelming" evidence to find that the lead counsel had acted with malice in suing the limited partners. (218 Cal.App.4th at 1545.) The Court then upheld the trial court order denying the associate attorney's anti-SLAPP motion, acknowledging that the evidence that the associate had acted with malice was not as strong as it was against lead counsel.

The Court relied in part on *Cole v. Patricia A. Meyers & Associates, APC* (2012) 206 Cal.App.4th 1095, which held that stand-by trial counsel could be liable for malicious prosecution of an underlying action that was dismissed before trial counsel had played any meaningful role. "We recognize that an associate attorney is not in the same position as an attorney associating into a case. There is a clear imbalance of power between an often younger associate and an older partner or supervisor, and situations may arise where an associate is put into a difficult position by questioning a more experienced attorney's choices. Nonetheless, however, every attorney admitted to practice in this state has independent duties that are not reduced or eliminated because a superior has directed a certain course of action. (See Bus. & Prof. Code § 6068.) Thus, the fact that she was following a superior's instructions is not a valid defense to malicious prosecution." (218 Cal.App.4th at 1546.)

The associate did not merely sign documents, but knew enough about the case to speak to opposing counsel and propose dismissal of the limited partners in exchange for the limited partners withdrawing a challenge to the assigned trial judge under Code of Civil Procedure section 170.6. That was enough to raise a strong inference that the associate attorney knew the case had no merit and was being prosecuted for an improper purpose and enough to defeat the associate's anti-SLAPP motion. (218 Cal.App.4th at 1546.)

10.3.10 Fee Recovery; Rule 3-310: Avoiding Representation of Adverse Interests

Case: *In re GFI Commercial Mortgage LLP* (N.D.Cal. 2013) 2013 WL 4647300

Issue: Firm served as dual counsel for both the liquidator and a committee of certain creditors in a chapter 11 reorganization plan. When a dispute arose between the liquidator and the creditor committee about the proper disposition of an asset of the bankruptcy estate, firm withdrew from representing either client. Was firm entitled to the fees it had earned as dual counsel where firm did not obtain the informed written consent to the dual representation of both clients, but where the parties had been aware of the dual representation, no later than when the dual representation was disclosed at an early court hearing, and where firm submitted a declaration that the clients had chosen the dual arrangement to minimize costs?

Holding: **Yes**. The district court found that the bankruptcy court did not abuse its discretion in refusing to order disgorgement of fees and ordering payment of unpaid fees to counsel even though California Rule of Professional Conduct 3-310(C)(1) requires an attorney to obtain the informed written consent of each client upon accepting representation in a matter in which the interests of the clients potentially conflict. The district court acknowledged that at the outset of the representation there was a "significant possibility" that the interests of the liquidator in the manner of disposing the assets of the estate would diverge from the interests of the creditor committee, which the attorney also represented, in receiving the proceeds of asset dispositions. (2013 WL 4647300 at *4.)

The district court expressly assumed without deciding that the failure of counsel to obtain informed written consent to the dual representation violated Rule 3-310. Under California law, such a violation would not necessarily deprive firm of the right to receive its past and present fees. "Under California law, although an attorney's breach

of a rule of professional conduct may warrant a forfeiture of fees, forfeiture is not automatic but depends on the egregiousness of the violation." (2013 WL 4647300 at *4, citing *Mardirossian & Associates, Inc. v. Ersoff* (2007) 153 Cal.App.4th 257.) The district court found that the record in this case revealed that any violation of Rule 3-310 was "slight." Both the creditor committee and the liquidator indisputably were aware of the dual representation. In addition, there was no evidence that the relationship was tainted with fraud or unfairness. (2013 WL 4647300 at *5.) Given the equities, the bankruptcy court did not abuse its discretion in awarding fees pursuant to the fee application.

Note: The Court went on to uphold the bankruptcy court's finding that the fees submitted in firm's fee application were reasonable, notwithstanding the creditor's committee "own subjective dissatisfaction." (2013 WL 4647300 at *5.) The Court also agreed with the bankruptcy court that firm was entitled to "fees on fees," that is, the fees incurred in defending the award of its fees. (*Id*. at *6.)

10.3.11 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Cuevas v. Joint Benefit Trust* (N.D.Cal. 2013) 2013 WL 4647404

Issue: In an action brought by retired union members against their union arising out of the denial of benefits in violation of ERISA and unlawfully motivated by age in violation of the California Fair Employment and Housing Act, was disqualification of plaintiffs' counsel warranted where plaintiffs' counsel formerly represented the union with respect to disability discrimination claims by former employees and had provided statements of position to the state employment discrimination agency rebutting those claims, statements which were in the closed files pertaining to plaintiffs' counsel's former representation of the union that counsel turned over to the union?

Holding: **Yes**. Plaintiffs' counsel's prior representation of the union was substantially related to the age discrimination claims brought in the instant action warranting his disqualification. For plaintiffs' counsel to draft the letters to the state agency on behalf of the union, the Court presumed that plaintiffs' counsel would have to have become familiar with confidential information about how the union handled discrimination claims. It did not matter that the discrimination claims in the actions plaintiffs' counsel had handled for the union were not identical to those asserted in this action. (2013 WL 4647404 at *3.)

The Court rejected plaintiffs' counsel's contention that disqualification was not warranted because his letters to the state agency on behalf of the union had been limited to the facts of those claims and had not involved any analysis of the union's general employment practices. It was enough that there was the *appearance of the possibility* that counsel had access to confidential information that could be material in this action. (2013 WL 4647404 at *4, citing *Trone v. Smith* (9th Cir. 1980) 621 F.2d 994, 999.) In any event, files that counsel had turned over to the union demonstrated that he had had actual possession of confidential information material to this action. (2013 WL 4647404 at *4.)

Note: The union argued that because plaintiffs' counsel had represented the union in a wide range of matters over several years, he had been "essentially general counsel" for the union and therefore very likely to have received sensitive information about the union's employee policies and its handling of discrimination claims brought by staff and former staff. (2013 WL 4647404 at *2.) The Court declined to address whether plaintiffs' counsel had been the union's general counsel because such an inquiry was unnecessary to determine the motion to disqualify. (*Id*. at *3, note 3.)

10.3.12 Client Fee Agreements

Case: *Knight v. Aqui* (N.D. Cal. 2013) __ F.Supp.2d ___, 2013 WL 4770147

Issue: Defendant in an underlying action made an unsecured promise to make periodic payments to plaintiff, attorney's client, to settle underlying action. Did attorney breach her fiduciary duty to client as a matter of law where written contingency fee agreement did not include statutorily required statement as to how costs would affect the contingency fee and client's recovery or a statement that the fee was negotiable rather than set by law, but where attorney nonetheless took all of her 40% contingency fee from defendant's initial – and, as it happened, only – settlement payment before becoming insolvent?

Holding: **Yes.** The Court granted client's motion for partial summary judgment on issue of attorney's breach of duty in a claim based on misappropriation of funds. The failure to include the statutorily required statements that may have allowed such a fee arrangement meant that the general rule of California law applied: a contingency fee is payable only as a client recovers. That meant, in this case, the fee was payable pro rata from the periodic payments. (2013 WL 4770147 at *5.) "'An attorney whose fee agreement is silent as to how attorneys' fees shall be paid in the event of a structured settlement is permitted to receive fees only on the same pro rata basis that the client receives compensation.' Cal. State Bar Form. Opn. 1994–135. While the State Bar's opinion applies by its terms to a structured settlement, this Court concludes that the same policy behind the opinion applies with even more force to an unsecured promise to pay, such as the one here." (2013 WL 4770147 at *6.)

The Court rejected attorney's contention that the settlement agreement in the underlying action on its face implicitly allowed her to take her fee before any distributions were made to client. "Even if there were such agreement—which the Court does not find—it would not be valid. As stated above, to pass muster, an agreement to 'cash out' an attorney must comply with the Rules of Professional Conduct and statutory requirements: the agreement must be written and signed by the client, it must include the statutorily required statements, it must not provide for an unconscionable fee (for example, an unconscionable percentage of the amount actually recovered), and the attorney must advise the client of the client's right to seek the advice of independent counsel and provide a reasonable opportunity for the client to do so. [Attorney] has provided no evidence that [client] agreed to the lump sum arrangement, or, if he did, that the agreement complied with those requirements and was otherwise reasonable and fair, as required by the rules of professional conduct." (2013 WL 4770147 at *6, internally citing Rules of Prof. Cond. 3–300, 4–200; Cal. Bus. & Prof. Code § 6147.)

Note: The Court observed that had the contingency fee agreement included the statutorily required statements, the agreement allowing the attorney to receive her fee before the client received any distributions from the settlement "*might* have been lawful." (2013 WL 4770147 at *5, emphasis in the original.) The Court cited California State Bar Formal Opinion 1994-135. The Court noted, however, that the California Practice Guide on Professional Responsibility recommends that an attorney seeking to collect fees as the attorney did here include language in the fee agreement making that clear. (2013 WL 4770147 at *5, note 3, citing Paul W. Vapnek, Cal. Prac. Guide Prof. Resp. Ch. 5-B.) The Court added a further footnote that the State Bar opinion that appears to approve such arrangements involved payments from a structured settlement, not from an unsecured promise to pay as here. (2013 WL 4770147 at *5, note 4.)

10.3.13 Rule 5-100: Threatening Criminal Prosecution

Case: *Lopez v. Banuelos* (E.D.Cal. 2013) 2013 WL 4815699

Issue: In a civil rights action alleging wrongful behavior by two California Highway Patrol Officers in which plaintiff was expected to testify that he smoked pot for medicinal reasons, was disqualification of defense counsel, a Deputy California Attorney General, warranted where defense counsel emailed plaintiff's counsel shortly before the scheduled start of trial to raise the possibility of settlement, adding that if plaintiff set

foot in California, defense counsel would "bet he never leaves as there is a very real chance he will be arrested. We do intend to have both federal and state law enforcement present during the trial"?

Holding: **No.** The Court set out principles that govern motions to disqualify: Disqualification is a drastic measure that is disfavored. Not every violation of an ethical rule compels disqualification. It is the province of the state bar, not the court, to punish attorneys for violating the rules of professional conduct; the court's role is to fashion a remedy to alleviate whatever harm the attorney's conduct has caused, including a remedy other than disqualification. (2013 WL 4815699 at *4, collecting cases.)

The Court found that, on its face, the email constituted a threat of criminal prosecution to gain an advantage in a civil dispute, i.e., to secure a favorable settlement, in violation of Rule of Professional Conduct 5-100. (2013 WL 4815699 at *7.) The Court accepted defense counsel's contention, which plaintiff did not challenge, that Rule 5-100 requires a finding of an intent to threaten. (*Ibid*.) The Court found plausible defense counsel's assertion that the email was meant as a poorly-worded joke, in the nature of good-natured chiding of an opposing counsel. The Court pointed to the indisputably amicable working relationship counsel had established and to plaintiff's counsel's acknowledgment that the two opposing attorneys had sometimes said things in jest to each other over the course of the litigation. (*Ibid*.)

Whether the email violated Rule 5-100 or not, the Court found that the email was close enough to an unethical threat that it violated the Court's Local Rule 180, prohibiting attorneys from engaging in conduct that interferes with the administration of justice. (2013 WL 4815699 at *8.) The email caused the trial court to vacate the trial date and also had the effect of making plaintiff anxious about whether to attend his own trial. At minimum, the email constituted "grossly negligent conduct" by defense counsel. (*Ibid*.)

The Court found that the harm caused by the email could be addressed without making a finding of intent necessary to find a violation of Rule 5-100 and without disqualifying defense counsel. First, the parties were ordered to meet and confer to reach agreement about a new trial date. Second, plaintiff was allowed to file a motion in limine regarding testimony and exhibits at trial about his drug use. Third, defense counsel was ordered not to cause plaintiff's arrest or the initiation of criminal proceedings against plaintiff based on plaintiff's pursuit of this action or plaintiff's testimony at trial. (2013 WL 4815699 at *8.)

Notes: The Court rejected defendants' assertion that plaintiff lacked standing to bring the motion to disqualify. The email was directed to plaintiff through his counsel and the email had a chilling effect on plaintiff's willingness to continue pressing his claims. (2013 WL 4815699 at *6, distinguishing *Colyer v. Smith* (C.D.Cal. 1999) 50 F.Supp.2d 966 which held that movant had no standing to seek disqualification based on opposing counsel's conflict of interest as to a third party.)

The Court also rejected the argument that the motion to disqualify should be denied because no case could be found in which an attorney had been disqualified for violating Rule of Professional Conduct 5-100. The Court recognized that disqualification motions generally are based on: (1) impermissible ex parte contacts with agents of the opposing party; (2) conflicts of interest between present and former counsel; and (3) trial attorney as witness in a jury trial. (2013 WL 4815699 at *6.) Given the context-specific nature of motions to disqualify and the Court's overriding duty to preserve public trust in the administration of justice, however, the Court was unwilling to hold that motions to disqualify were limited to the typical circumstances in which they were brought. (*Ibid*.)

Before turning to whether the Deputy Attorney General who sent the email should be disqualified, the Court summarily denied plaintiff's request that the entire California

Attorney General's office be disqualified. "[C]onsidering the size and nature of the California Attorney General's Office, such relief would be extreme." (2013 WL 4815699 at *6.) In his reply brief, plaintiff did not address disqualification of the office even as he reiterated his request that the Deputy Attorney General who sent the email be disqualified. At the hearing on the motion, plaintiff's counsel failed to cite any authority authorizing such relief in response to the Court's question.

10.3.14 Guardian Ad Litem, Ethical Duties of

Case: *McClintock v. West* (2013) 219 Cal.App.4th 540

Issue: Was an attorney who acted as guardian ad litem for severely depressed husband in connection with a dissolution proceeding subject to liability to husband for legal malpractice where husband did not attain his stated objectives in the dissolution proceeding in which: (1) a different attorney had acted as husband's attorney of record; (2) guardian ad litem never appeared in court without husband's counsel of record; and (3) guardian ad litem never signed any document as husband's attorney?

Holding: **No**. A claim for legal malpractice depends on an attorney-client relationship. As a matter of law, a guardian ad litem, even one who is an attorney, does not have an attorney-client relationship with her ward. While a guardian ad litem has a duty to act in the ward's best interests, he or she ultimately answers to the court, not the ward. (219 Cal.App.4th at 555.) The Court compared the relationship between a guardian ad litem and ward for purposes of evaluating the existence of an attorney-client relationship to the relationship between a district attorney and a disappointed citizen who sought unpaid child support. In *Jaeger v. County of Alameda* (1992) 8 Cal.App.4th 294, 297-298, the Court of Appeal held in the latter scenario that the citizen could not assert a claim against the district attorney for legal malpractice since the district attorney's professional duty ran to the county, not to the individual seeking child support.

Moreover, there were no factual indicia of an attorney-client relationship here. (219 Cal.App.4th at 555.) The trial court properly sustained guardian ad litem's demurrer to this claim without leave to amend.

Notes: The Court of Appeal upheld dismissal of the claims against the guardian ad litem that were based on the breach of a duty of care on the ground that the guardian ad litem was covered by quasi-judicial immunity. Like the court-appointed psychologist found to be covered by quasi-judicial immunity in *Howard v. Drapkin* (1990) 222 Cal.App.3d 843, the guardian ad litem's role is "intimately related to the judicial process." (219 Cal.App.4th at 551, quoting *Howard*, 222 Cal.App.3d at 857.)

The Court of Appeal found that the policy reasons that justified extending quasi-judicial immunity to the court-appointed psychologist in *Howard* applied with equal force to extending such immunity to a guardian ad litem. Depriving a guardian ad litem of such immunity would distort how she performed her role. "[T]he guardian ad litem does not advocate for her ward in the way an attorney does – her job is acting in the ward's best interests, and the ward might not always agree with the guardian ad litem's decisions. Her ability to act would be compromised if the threat of future liability encouraged a guardian ad litem to put a ward's *wishes* above his *interests*." (219 Cal.App.4th at 551-552, emphasis in the original, citation to *Howard* omitted.)

10.3.15 Arbitrator's Duty to Disclose

Case: *Mt. Holyoke Homes, L.P. v. Jeffer Mangels Butler & Mitchell, LLP* (2013) 219 Cal.App.4th 1299

Issue: Did an arbitration award in favor of a law firm in a legal malpractice dispute with a former client have to be vacated where: (1) the arbitrator, a retired judge, failed to disclose that he had listed a name partner of the law firm as a reference in a publicly

available resume; (2) the arbitrator had had no personal relationship with the firm partner, listing the partner as a reference only because of the partner's reputation as a litigator and based only on the partner's past dealings with the arbitrator as a judge and private neutral; and (3) the former client only discovered the inclusion of the firm partner as a reference on the arbitrator's resume from doing an Internet search for evidence of arbitrator bias after the arbitrator issued his decision?

Holding: **Yes**. The trial court order confirming law firm's petition to confirm the arbitration award was reversed. The connection between the law firm partner as a professional reference for the arbitrator and the subject matter of the arbitration was sufficiently close that a reasonable person aware of the facts would entertain a reasonable doubt as to the arbitrator's ability to be impartial. California Code of Civil Procedure § 1281.9(a) obligated the arbitrator to disclose that information to all parties before the arbitrator was selected to hear the matter.

"The question is not whether [the arbitrator] actually was biased, but whether a reasonable person aware of the facts reasonably could entertain a doubt that he could be impartial in this case. . . . An objective observer reasonably could conclude that an arbitrator listing a prominent litigator as a reference on his resume would be reluctant to rule against the law firm in which that attorney is a partner as a defendant in a legal malpractice action. . . . To entertain a doubt as to whether the arbitrator's interest in maintaining the attorney's high opinion of him could color his judgment in these circumstances is reasonable, is by no means hypersensitive, and requires no reliance on speculation." (219 Cal.App.4th at 1313, citation omitted.)

The Court of Appeal rejected the argument that former client's request to vacate the arbitration award should be denied because the arbitrator's resume was readily available on the Internet, giving the former client constructive knowledge that the arbitrator had listed the firm partner a reference. "A party to an arbitration is not required to investigate a proposed neutral arbitrator in order to discover information, even public information, that the arbitrator is obligated to disclose. (Citations.) Instead, the obligation rests on the arbitrator to timely make the required disclosure. The fact that the information is readily discoverable neither relieves an arbitrator of the duty to disclose nor precludes vacating the award based on the nondisclosure." (219 Cal.App.4th at 1313, citations omitted.)

Notes: Relying on *Desert Outdoor Advertising v. Superior Court* (2011) 196 Cal.App.4th 866, the Court rejected former client's argument that the petition to compel arbitration should have been denied because the attorney failed to explain the significance of the arbitration provision when the client signed a new retainer agreement after client's attorney joined a new firm. The client "had substantial experience with litigation and legal representation before signing the legal services agreement" with the new firm. The arbitration agreement was clear and explicit and expressly advised client to seek independent counsel if she wished guidance on its terms. Under those circumstances, the firm had no duty to point out the existence of the arbitration provision or explain its significance. (219 Cal.App.4th at 1309.)

The Court of Appeal ruled that the arbitration award had to be vacated because "[a]n objective observer reasonably could conclude that an arbitrator listing a prominent litigator as a reference on his resume would be reluctant to rule against the law firm in which that attorney is a partner *as a defendant in a legal malpractice action*." (219 Cal.App.4th at 1313, emphasis added.) It is unclear whether the Court would have reached the same result had the law firm merely been counsel of record in the dispute rather than a party. Depending on the nature of the case, the requisite nexus between the subject matter of the arbitration and the undisclosed relationship between attorney and arbitrator may be missing.

Important Update: No case abstracted in the previous edition of *Ethics Quarterly* has been accepted for review or otherwise rendered uncitable.

Disclaimer: Counsel should read the full text of the cases discussed before relying on the necessarily limited discussion of them here. Counsel also should be mindful that some of the Court of Appeal cases abstracted may be subject to depublication or review by the California Supreme Court. All cases should therefore be checked to confirm they are citable.

COMMENTARY: Just Between the Two of Us: Limits on Using Informal Attorney Advice as the Basis for Vicarious Disqualification

Daniel E. Eaton[1]

Introduction

At what point does informal legal advice from an attorney, on the one hand, and a spouse or a friend, on the other hand, taint the formal representation of a party to the point that it requires disqualification of a party's attorney of choice? Two cases abstracted in this issue of *Ethics Quarterly* present that question in very different settings.

First case: Husband, an environmental law partner in a multinational law firm, helps wife sue a much larger company for patent infringement, most significantly by helping to select counsel for wife's company. Problem: Husband's law firm has handled the patent work for the much larger company that wife's company is suing, though that work has not been done at the firm office from which husband works and husband has never accessed that larger company's files. Husband had only limited direct communications with the firm representing wife's company in the patent dispute. One such communication involved the fee agreement between the firm and his wife's company. Other communications involved concerns in-house counsel at the larger company expressed to husband's firm about husband's role in the patent litigation when husband's name appeared on a privilege log in the pending patent litigation because wife forwarded emails from her company's counsel to him. Husband soon thereafter left his firm. Does husband's informal advice to his wife and her company require disqualification of the firm representing wife's company in the litigation?

Second case: Multinational law firm does the initial corporate work for a new social networking company. A close personal friend of the founder of the company is an intellectual property law partner in the firm. The engagement agreement designates him the primary partner on intellectual property issues related to the representation. The friend did not bill any time on the account, though he may have given the founder informal advice about intellectual property strategy and may have received confidential information about the company through his friendship with the company founder. The friend's firm subsequently represented another company in an intellectual property lawsuit against the founder of the friend's company. Does friend's possible earlier informal advice to, and receipt of confidential information from, the defendant-founder require disqualification of friend's firm in the pending intellectual property litigation where friend was screened from the litigation?

In both of these cases, the Court declined to order disqualification of the challenged firm. Husband's limited, informal role in helping his wife's company sue one of husband's firm's clients, violating though it did husband's ethical duties to a client of

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his firm, was not enough to warrant disqualification of the firm representing wife's company. Friend's possible informal advice to a company founder on intellectual property matters and friend's receipt of relevant confidential information from a company founder were not enough to preclude the law firm in which friend was a partner from representing another company suing the founder in an intellectual property dispute. But why?

A. *FlatWorld Interactives LLC v. Apple Inc.*: Conflicting Duties of Life Partner and Law Partner

Jennifer McAleese, a co-founder of FlatWorld Interactives, believed that Apple was infringing FlatWorld's patent for touch- and gesture-based user-interface technology used in Apple products such as the iPhone. Her husband, John McAleese, was an attorney who co-chaired the environmental practice of a large multinational law firm. Ms. McAleese asked her husband for guidance about how to assert her company's intellectual property rights. Mr. McAleese helpedted his wife find a law firm willing to represent FlatWorld in a patent infringement action against Apple. About a week before FlatWorld retained the firm Mr. McAleese had found, Mr. McAleese had about a 30-minute phone call with Mark Carlson, a partner at that firm, about the proposed terms of the engagement agreement. On at least ten occasions after FlatWorld filed suit against Apple, Ms. McAleese forwarded to her husband emails she received from the firm representing her company in the lawsuit. The emails contained legal advice about the litigation. On two occasions, Mr. McAleese responded to Ms. McAleese's forwarded emails.

This entire time, the firm in which Mr. McAleese was a partner was doing patent work for Apple, though Mr. McAleese himself never did any of that work and Apple's patent work was not handled out of the firm office where Mr. McAleese worked. Jeff Risher, an Apple official who oversaw legal matters, learned of Mr. McAleese's involvement with FlatWorld when he saw Mr. McAleese's name on FlatWorld's privilege log. FlatWorld asserted on the log that the listed documents were covered by the attorney-client privilege. Mr. Risher emailed Scott Garner, one of Mr. McAleese's partners, to express concern over Mr. McAleese's apparent involvement in the FlatWorld litigation. Mr. Garner forwarded the Risher email to Mr. McAleese who in turn discussed the contents of the email with his wife and Mr. Carlson of the firm representing FlatWorld in the litigation against Apple.

Mr. McAleese disclosed to Mr. Carlson for the first time that he was a partner at a firm that does patent work for Apple and told Mr. Carlson "that he was not acting as an attorney in his communications with his wife." (*FlatWorld Interactives LLC v. Apple Inc.* (N.D.Cal. 2013) 2013 WL 4039799 at *4.) Mr. McAleese asked Mr. Carlson to produce to Apple the emails between him and his wife which Mr. Carlson had asserted were subject to the attorney-client privilege to show Apple and Mr. McAleese's firm that he was not representing FlatWorld. Ultimately, the firm representing FlatWorld declined to produce the emails to Apple, though the firm did amend the privilege log to assert the spousal privilege over the emails between husband and wife instead of the attorney-client privilege. Mr. McAleese left his firm a few months later.

Apple moved to disqualify counsel for FlatWorld. Apple claimed that Mr. McAleese's firm was disqualified from being adverse to Apple because the firm had handled substantially related patent matters. That in turn disqualified Mr. McAleese, as a firm partner, from being adverse to Apple. That in turn disqualified counsel for FlatWorld because counsel for FlatWorld had been tainted by Mr. McAleese's involvement in the FlatWorld litigation against Apple. The Court disagreed with the final contention and denied the motion on that basis.

The Court began by squarely finding that Mr. McAleese had breached his ethical duty to Apple by providing legal guidance to FlatWorld contrary to Apple's interests. "As a partner at [his law firm], John McAleese owed a duty to his firm's client regardless of whether or not he personally worked on that client's matters. Just as a [firm] attorney working on Apple matters could not act adversely against Apple, so too was John McAleese barred from doing so, *whether in a legal capacity or not*. . . ." (2013 WL 4039799 at *6, emphasis added.) Mr. McAleese's efforts on FlatWorld's behalf over a period of six years were contrary to Apple's interests. In addition, it was not true, as FlatWorld "tepid[ly]" contended, that Mr. McAleese's only connection to FlatWorld was through his marriage to Ms. McAleese. In fact there was ample evidence that Mr. McAleese acted in a legal capacity on FlatWorld's behalf. (*Id*. at *7.)

How then did FlatWorld's counsel of record escape disqualification? The Court found that there was no evidence that Mr. McAleese ever shared any of Apple's confidential information with FlatWorld's counsel, other than sharing the confidentially expressed concern of the Apple official about Mr. McAleese's involvement in the litigation, which gave FlatWorld no advantage it would not have obtained from hearing those concerns from Apple itself. The Court further found that there was no evidence that Mr. McAleese had even ever had any such confidential information while he was at his now-former firm. An "extensive forensic investigation" of the firm's system confirmed that Mr. McAleese had never accessed Apple confidential information. In addition, Mr. McAleese worked on no Apple matters while he was at the firm and those matters were handled outside of the offices at which he worked so he was unlikely to have learned such confidential information through casual contact with attorneys who had worked on Apple matters. (2013 WL 4039799 at *8.)

Mr. McAleese had limited involvement in FlatWorld's lawsuit against Apple; certainly, said the Court, he could not credibly be called co-counsel for FlatWorld in the action. Yes, Ms. McAleese had forwarded to her husband numerous emails from FlatWorld's counsel about the litigation. But "[t]he unidirectional flow of information – away from counsel of record, no less – does not suggest the existence of a material role being played by" Mr. McAleese in this case. (2013 WL 4039799 at *9.) Beyond all of that, disqualifying counsel for FlatWorld on the eve of a *Markman* hearing would unduly prejudice FlatWorld. (*Ibid*.)

Mr. McAleese's informal legal advice to his wife and her company against the interests of Apple, his firm's client, violated his ethical duties as an attorney. Because he shared no confidential information about Apple with the firm representing his wife's company against Apple, had no confidential information to share, and played no meaningful role in the litigation against Apple, the firm representing his wife's company was not infected by Mr. McAleese's choice of his wife's interests over his client's interests.

Would Mr. McAleese's informal advice to his wife and FlatWorld have barred his own multinational firm from representing Apple in the lawsuit FlatWorld brought if Mr. McAleese had been screened from the litigation, even had FlatWorld previously formally engaged Mr. McAleese's firm to work on corporate matters? The essence of that question was addressed in *Nextdoor.Com, Inc. v. Abhyanker* (N.D.Cal. 2013) 2013 WL 3802526. The Court's analysis suggests that the answer to that question may be no.

B. ***Nextdoor.Com, Inc. v. Abhyanker*: Partnership Trumps Friendship**

Raj Abhyanker developed the concept of LegalForce, an online neighborhood social network for inventors. He hired a law firm to do the early corporate work for his new company. Rajiy Patel was a partner in the intellectual property group of the law firm and a close personal friend. The engagement agreement with LegalForce designated Mr. Patel as the "primary support partner with regards to matters related to intellectual property." (*Nextdoor.Com, Inc. v. Abhyanker* (N.D.Cal. 2013) 2013 WL 3802526 at *11.) Mr. Patel ended up billing no time to the LegalForce account. (*Id*. at *12.)

On these facts, the Court was unwilling to find that Mr. Patel had provided uncompensated legal advice about intellectual property matters to his friend, Mr. Abhyanker, at least in Mr. Patel's capacity as a firm attorney. The Court found it "particularly telling" that Mr. Patel had billed no time to the account. (2013 WL 3802526 at *13.) The Court discredited Mr. Abyhanker's unsubstantiated assertion that Mr. Patel had provided such advice as part of the firm's representation and may have provided it without charge because of the firm's "practice of providing some services to start up clients free of charge. . . ." (*Id*. at *14.) Instead, the Court credited the declaration of the firm partner who had conducted a comprehensive review of the file and determined that the scope of the firm's work for Mr. Abhyanker's company did not include intellectual property matters. (*Id*. at *13.) Mr. Abhyanker submitted no such evidence supporting his assertions about the scope of the firm's representation of his company, even though Mr. Abhyanker had requested and received the file of the firm's work for his company. (*Ibid*.)

While the Court found that Mr. Patel did not give Mr. Abhyanker advice on intellectual property matters formally in connection with the firm's representation of Mr. Abhyanker, the Court also suggested that Mr. Patel at least "may have" given Mr. Abhyanker advice about intellectual property strategy "in an informal personal capacity" as a friend. (2013 WL 3802526 at *12.) The Court later added that Mr. Patel "may have received confidential information from [Mr.] Abhyanker *in the course of their friendship*, [though] the fact that he did not bill any LegalForce matter suggests that he did not receive any confidential information *in his role as an attorney*" at the firm. (2013 WL 3802526 at *15, emphasis added.) Though the Court is not entirely clear, the latter sentence presumably meant Mr. Patel "may" have received confidential information *about intellectual property matters* – as opposed to the corporate matters that were within the course of the work the Court found that the firm actually did for Mr. Abhyanker's company and about which the firm indisputably received confidential information not substantially related to the patent litigation. That amounts to an implicit finding that confidential information Mr. Patel received, and advice he gave, in a personal capacity to the principal of a former client on matters substantially related to the patent litigation may

not be imputed to the firm of which he is a partner for purposes of the vicarious disqualification analysis. But is that right?

In this respect, the case resembles *Goldberg v. Warner/Chappell Music, Inc.* (2005) 125 Cal.App.4th 752. In *Goldberg*, a firm partner who was a friend of plaintiff-employee had given plaintiff informal advice about her employment contract in a 90-minute meeting. The firm had opened no file on the matter and the partner had not billed for the meeting with plaintiff, though plaintiff had asked him to bill her. Six years after the consultation, the plaintiff later sued her employer in a dispute over the contract and sought to have the same firm disqualified from representing her now-former employer. The trial court ruled, and the Court of Appeal agreed, that plaintiff's earlier informal, uncompensated consultation with her friend and firm partner six years earlier about the contract now in dispute resulted in an attorney-client relationship. (125 Cal.App.4th at 762.) That prior relationship "likely" warranted disqualification of the firm "because there would be no practical way of ensuring that, despite his best intentions, [the firm attorney] would not let slip some confidential information he may not even be aware he possesses." (*Ibid*.) Plaintiff's motion to disqualify was denied, but only because plaintiff's friend had left the firm three years before the underlying lawsuit was filed. Therefore, there was no concern that the now-former partner "will inadvertently pass on confidential information to his colleagues in the future because he is no longer there 'in the lunch room' as the trial court said. It was appropriate under the circumstances for the trial court to make an assessment of whether [the former partner] actually passed on confidential information. Since the court found he had not, there was no basis for disqualification." (*Ibid*.)

In *Nextdoor.Com, Inc.*, Mr. Patel, the partner-friend, remained with the firm and the firm had opened a file for its representation of Mr. Abhyanker's company, making the case for vicarious disqualification stronger. That is true if the Court indeed believed that Mr. Patel discussed intellectual property matters, albeit informally and outside of Mr. Patel's capacity as a firm partner, with his friend Mr. Abhyanker, a finding the Court did not specifically make. But the Court also concluded that the ethical screen that the firm had put in place was sufficient to limit the risk of a conflict arising from Mr. Abhyanker's "personal disclosure of confidential information" to Mr. Patel, though the firm had established such an ethical wall only after defendant had raised his concern about the conflict with the firm. (2013 WL 3802526 at *15, citing *In re Cnty of Los Angeles* (9th Cir. 2000) 223 F.3d 990, 997.) The shift in California law since *Goldberg* toward allowing effective ethical walls to prevent vicarious disqualification may be enough to warrant the result in *Nextdoor.Com, Inc*. (See *Kirk v. First American Title Ins. Co.* (2010) 183 Cal.App.4th 776. But see, *City of Santa Barbara v. Superior Court* (2004) 122 Cal.App.4th 17, 24 and *Frazier v. Superior Court* (2002) 97 Cal.App.4th 23, 30, holding that ethical walls are absolutely ineffective to avoid vicarious disqualification. Cf. *Kirk*, 183 Cal.App.4th at 810, holding that ethical wall must be established when conflict first arises before opposing party raises issue of conflict. But cf., *Openwave Systs. Inc. v. Myriad France S.A.S.* (N.D. Cal. 2011) 2011 WL 1225978 at *5, declining to hold that ethical wall must be established when conflict arises.)

Conclusion

Informal, uncompensated legal work an attorney does for a party in the attorney's capacity as a spouse or a friend may not have the disqualifying implications that formal

legal advice would have. The analysis in such scenarios is highly fact-dependent and may result in different results on seemingly similar facts by different trial courts.