

1 **THE STATE BAR OF CALIFORNIA**
2 **STANDING COMMITTEE ON**
3 **PROFESSIONAL RESPONSIBILITY AND CONDUCT**
4 **FORMAL OPINION INTERIM NO. 24-0001**
5 **IN-HOUSE COUNSEL DRAFT OPINION**
6

7 **ISSUE:** Do conflicts of interest arise when a lawyer moves from one in-house legal
8 position.¹ to another?

9 **DIGEST:** It is common for in-house lawyers to move from one company to another, and
10 often within the same industry. Although conflict rules broadly apply equally to
11 in-house lawyers as to law firm lawyers, the conflict analysis must take into
12 account the unique characteristics of the in-house role, which is typically both
13 an attorney-client and employer-employee relationship.

14 A former client conflict of interest under rule 1.9 does not arise simply because
15 an in-house lawyer moves between companies that are economic competitors.
16 A conflict of interest will arise if the lawyer was personally involved in
17 representing their former employer on a matter that is factually and legally
18 identical or similar to a matter the lawyer is to handle for their new employer,
19 and in which the companies are materially adverse. Alternatively, a conflict of
20 interest will arise if the lawyer was not personally involved in the
21 representation, but they obtained confidential information during their prior
22 employment concerning the same or substantially similar, adverse matter. The
23 conflict may be imputed to the entire legal department of the new employer,
24 unless screening measures may be implemented under rule 1.10.

25
26 **AUTHORITIES**

27 **INTERPRETED:** Rules 1.0.1, 1.7, 1.8.1, 1.9, 1.10, and 1.13 of the Rules of Professional Conduct of
28 the State Bar of California.²

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30 Business and Professions Code section 6068, subdivision (e).
31

32 **STATEMENT OF FACTS**

33 New Company is a competitor of Old Company because they both sell similar technology
34 protected through several patents and other intellectual property rights. Old Company is
35 publicly held, with several divisions. Old Company has a central legal department managed by a
36 general counsel. The legal department is segregated into teams and Lawyer was assigned to the
37 Labor and Employment team. Lawyer was not part of the team that advised Old Company

¹ This opinion contemplates the obligations of individuals in roles where there is an attorney-client relationship between the in-house attorney and the company.

² Unless otherwise indicated, all references to “rules” in this opinion will be to the Rules of Professional Conduct of the State Bar of California.

concerning its technology and patent applications. However, Lawyer will be the general counsel and is expected to advise New Company on all legal issues, including those relating to New Company's technology and patent applications.³

DISCUSSION AND ANALYSIS

Potential conflicts of interest arise from an in-house lawyer's movement from one in-house position to another.⁴ As explained below, the rules apply with equal force to in-house lawyers as they do to lawyers in private practice.

I. Is There a Conflict of Interest Between Lawyer's Representation of Old Company and New Company with Respect to Lawyer's Anticipated Scope of Employment with New Company?

The question of whether a conflict of interest exists in Lawyer's representation of Old Company and New Company is governed by rule 1.9 (Duties to Former Clients) and rule 1.10 (Imputation of Conflicts of Interest). An in-house lawyer represents the organization itself as a client. (Rule 1.13(a).) Thus, Lawyer's former client is Old Company, and Lawyer's current client is New Company.

Rule 1.9(a) prohibits representation of a client, including an organization, whose interests are materially adverse in the same or substantially related matter to those of the lawyer's former client if the lawyer personally represented the former client in the matter. Even if the lawyer did not personally represent the former client, a conflict of interest may exist under rule 1.9(b) based on the lawyer's association with their prior law firm or legal department, if the lawyer obtained confidential information that is material to the same or substantially related matter in which the two clients' interests are adverse. Informed written consent from the former client is required if rule 1.9(a) or (b) applies to the scope of employment, unless rule 1.10 applies, and its screening requirements are satisfied.

In short, a conflict of interest exists based on a lawyer's personal representation of a former client or acquisition of confidential information material to a particular matter, provided that the matters are the same or substantially related and the interests of the clients are materially adverse regarding the new matter.⁵ However, alongside the requirements under the rules of

³ We analyze these issues under the California Rules of Professional Conduct, notwithstanding the USPTO Rules of Professional Conduct. We also assume that the lawyer is properly authorized to perform the legal services.

⁴ See, e.g., ABA Formal Opn. No. 99-415 ("The increased frequency with which lawyers employed by an organization are hired by a competitor or by a law firm seeking the expertise gained by the lawyer in his former position has resulted in a greater focus on this issue. Current and prospective employers as well as in-house counsel themselves have reason for concern.").

⁵ Regardless of whether rule 1.9(a) or (b) applies, rule 1.9(c)(1) and (2) prohibits the use and disclosure of confidential information unless certain exceptions apply or the information has become "generally known." Note,

professional conduct are the employee’s contractual and fiduciary requirements, including trade secrets.

The analysis first begins with an examination of the matter handled for the former client, and the proposed scope of representation for the matter to be handled for the new client. This exercise may be challenging for the in-house lawyer given the lawyer’s relatively broad scope of employment. “Matters” are not as easily discernable as they are in a law firm setting. “Many corporate legal departments do not maintain the detailed time records customarily maintained by private law firms. In light of the factual nature of the determination of whether a lawyer has ‘represented’ the organization, it is desirable for in-house lawyers at least to maintain logs describing those matters on which they work.” (ABA Formal Opn. No. 99-415, fn. 7.) However, this does not mean rule 1.9 is inapplicable to in-house lawyers; indeed, the representation is akin to an independent lawyer who is hired on retainer. (*PLCM Group, Inc. v. Drexler* (2000) 22 Cal.4th 1084, 1093 [95 Cal.Rptr.2d 198].) The scope of the representation could encompass all legal issues or those limited to a particular subject matter, such as employment law issues. This is true especially when in-house lawyers work within separate groups.

A. Rule 1.9, Paragraph (a)—Personal Representation of Old Company

ABA Formal Opinion No. 99-415 discusses the personal representation prong of ABA Model Rule 1.9(a) by stating: “[e]ven if the matter involved in the potential conflict was being handled by the legal department of the former employer prior to the in-house lawyer’s departure, Rule 1.9(a) does not apply unless the in-house lawyer personally represented the former client.” There must be a “direct personal relationship with the former client in which the attorney personally provided legal advice and services on a legal issue that is closely related to the legal issue in the present representation.” (*City and County of San Francisco v. Cobra Solutions, Inc.* (2006) 38 Cal.4th 839, 847 [43 Cal.Rptr.3d 771].) The inquiry therefore involves an examination of the lawyer’s duties with their former employer, and an analysis of the lawyer’s ethical duties to their former client.

Here, Lawyer was not part of the team that advised Old Company concerning its technology and patent applications. Lawyer advised Old Company on labor and employment law issues. Thus, similar to a law firm lawyer who worked in a particular practice group and was not involved in representing firm clients on matters handled by lawyers in a different practice group, Lawyer’s handling of labor and employment issues may not establish that Lawyer *personally* represented Old Company regarding its patents and technology. (*Dieter v. Regents* (E.D. Cal. 1997) 963 F.Supp. 908 [disqualification improper where lawyers who moved to a new firm worked out of different offices and had no personal involvement in representing the former client on substantially related, adverse matter].)⁶ For purposes of analysis of conflicts

however, that, “[t]he fact that information can be discovered in a public record does not, by itself, render that information generally known under paragraph (c).” (See, e.g., *In the Matter of Johnson* (Review Dept. 2000) 4 Cal. State Bar Ct. Rptr. 179.)” (Rule 1.9, Cmt. [5].)

⁶ Cf. *Dynamic 3D Geosolutions LLC v. Schlumberger Ltd. (Schlumberger N.V.)* (Fed. Cir. (Tex.) 2016) 837 F.3d 1280, 1287 [holding that under Tex. Disciplinary R. Prof. Conduct 1.09 “[i]t was inappropriate to hire a senior

under paragraph (a), this is true even if Lawyer’s advice to and representation of Old Company likely related to employees who worked on Old Company’s technology and patents. However, to the extent that Lawyer acquired confidential information that is material to technology and patents (or other client confidences), rule 1.9(b) and (c) govern Lawyer’s duties and conduct.

Accordingly, under the facts presented, Lawyer did not personally represent Old Company with respect to its patent and technology matters. Therefore, rule 1.9(a) would not prohibit Lawyer from representing New Company on such matters even if there is an adverse relationship with Old Company. Lawyer must then consider whether rule 1.9(b) applies.⁷

B. Rule 1.9, paragraph (b)—Conflict of Interest Based on Lawyer’s Acquisition of Material Confidential Information from Old Company’s Legal Department

Even where no conflict arises under rule 1.9(a), a conflict of interest may still exist under rule 1.9(b), which “prohibits an attorney whose firm represented a client on the same or substantially related matter from subsequently taking a position adverse to that client, but only *if* the lawyer had acquired confidential information ‘material to the matter.’” (*Adams v. Aerojet-General Corp.* (2001) 86 Cal.App.4th 1324, 1337 [104 Cal.Rptr.2d 116] (interpreting ABA Model Rule 1.9(b)).) Thus, “[e]ven if a former in-house lawyer did not represent his former employer in the same or substantially related matter in which a new client is materially adverse, he still may be disqualified from representing the new client if he acquired protected information that is material to the new matter he wishes to undertake.” (ABA Formal Opn. No. 99-415.) The analysis encompasses a fact-specific, flexible inquiry designed to balance the competing interests of loyalty owed to the former client and the choice of counsel of the new client. (*Adams v. Aerojet-General Corp.*, *supra*, 86 Cal.App.4th 1324, 1337–1338; ABA Model Rule 1.7, Cmt. [3].)

a. Possession of Confidential, Material Information

Lawyer will serve as New Company’s general counsel with direct and managerial responsibility over all legal issues, including those relating to New Company’s technology and intellectual property. Accordingly, Lawyer must consider whether they obtained confidential information relevant to this new, expansive role while in Old Company. (See e.g., *H.F. Ahmanson & Co. v. Salomon Brothers, Inc.* (1991) 229 Cal.App.3d 1445, 1454 [280 Cal.Rptr. 614] [“substantial relationship” test evaluates “whether confidential information material to the current dispute would normally have been imparted to the attorney by virtue of the nature of the former representation”]; *Dieter v. Regents of the Univ. of Cal.*, *supra*, 963 F.Supp. at pp. 911–912

attorney, one intimately knowledgeable concerning a particular product, its competitors, and its associated business strategies and intellectual property, into a position in which she not only participated in but in fact played a significant role in acquiring a patent used to accuse her former employer's product of patent infringement.”]; *Staton Techiya, LLC v. Samsung Elecs. Co., Ltd.* (E.D. Tex. 2024) No. 2:21-CV-00413-JRG-RSP) (appeal dismissed).

⁷ Rule 1.9(a) may prohibit Lawyer from representing New Company on labor and employment matters to the extent those matters are the same or substantially related to the matters Lawyer handled while employed at Old Company and the interests of Old Company and New Company are materially adverse with respect to those matters.

[“California courts look to whether ‘confidential information material to the current dispute would normally have been imparted to the attorney by virtue of the nature of the former representation.’” [Citations omitted.]] “Application of paragraph (b) depends on a situation’s particular facts, aided by inferences, deductions or working presumptions that reasonably may be made about the way in which lawyers work together.” (ABA Model Rule 1.9(b), Comment [6].) “Whether confidential, material information would normally have been imparted to the attorney depends on three factors: (1) the factual similarities between the current and former representations, (2) the similarities between the legal questions posed, and (3) the nature and extent of the attorney’s involvement with the former representation.” (*Dieter v. Regents of the Univ. of Cal.*, *supra*, 963 F.Supp. at pp. 911–912 [citing *H.F. Ahmanson*, *supra*, 229 Cal.App.3d at p. 1455].) In the in-house context, “[d]epending on the size and structure of the legal department and the extent to which it limits access to confidential information to those lawyers working on a matter, the lawyer may have obtained information as the result of shared confidences, requiring disqualification under Rule 1.9(b).” (ABA Formal Opn. No. 99-415.)

Lawyer should examine their matters at Old Company; Old Company’s legal department structure; and the overall culture within Old Company concerning the exchange of confidential or proprietary information, to determine whether they possess confidential information that may be material to Lawyer’s new role as New Company’s general counsel. For example, although Lawyer’s representation was limited to labor and employment matters, it is reasonably plausible that during the course of relevant communications with Old Company employees and principals, technology issues and related facts may have been discussed.

However, under California law, knowledge of a company’s general business practices or philosophies (*i.e.*, its “playbook”) alone is not enough to disqualify a lawyer under rule 1.9(b); instead, there must be a showing that the information gained from the “playbook” is of “critical importance” to the matter at hand. (*Victaulic Co. v. American Home Assurance Co.* (2022) 80 Cal.App.5th 485, 512 [295 Cal.Rptr.3d 738] [“Under California law a law firm is not subject to disqualification because one of its attorneys possesses information concerning an adversary’s general business practices or litigation philosophy” quoting *Wu v. O’Gara Coach Co., LLC* (2019) 38 Cal.App.5th 1069, 1083 [251 Cal.Rptr.3d 573]].)

Here, Lawyer’s work on employment law matters, in and of itself, would not normally impart to Lawyer information relating to Old Company’s patent applications and technology. Therefore, no facts suggest that Lawyer gleaned information from Old Company’s “playbook” regarding its technology or patent applications that would rise to the level of material importance to Lawyer’s new legal matters. Thus, the competing nature of the two companies and the similarity of Lawyer’s roles at the two companies does not mean that Lawyer currently possesses, or previously had access to, confidential information that is material to Lawyer’s anticipated new role as New Company’s general counsel.

b. “Same or Substantially Related” Matters

Under rule 1.9(a) and (b), two matters are “the same or substantially related” if they involve a substantial risk of a violation of the duty of loyalty or the duty of confidentiality. (Rule 1.9, Cmt. [3].) The duty of loyalty to a former client means that the lawyer must refrain from doing

“anything that will injuriously affect the former client in any matter in which the lawyer represented the former client.” (Rule 1.9, Cmt. [3].) The duty of confidentiality to a former client means that the lawyer must refrain from using against the former client “knowledge or information acquired by virtue of the previous relationship.” (Rule 1.9, Cmt. [1] [*citing Oasis West Realty, LLC v. Goldman* (2011) 51 Cal.4th 811 [124 Cal.Rptr.3d 256] and *Wutchumna Water Co. v. Bailey* (1932) 216 Cal. 564 [15 P.2d 505]].)

The analysis generally hinges on: “(i) if the matters involve the same transaction or legal dispute or other work performed by the lawyer for the former client; or (ii) if the lawyer normally would have obtained information in the prior representation that is protected by Business and Professions Code section 6068, subdivision (e) and rule 1.6, and the lawyer would be expected to use or disclose that information in the subsequent representation because it is material to the subsequent representation.” (Rule 1.9, Cmt. [3].)

Again, the fact that Old Company and New Company are competitors with similar technologies and patents is insufficient alone to establish that Lawyer represented Old Company in the same or substantially related matter to the matter or matters that Lawyer is expected to handle at New Company. (Rule 1.7, Cmt. [1] [“ . . . simultaneous representation in unrelated matters of clients whose interests are only economically adverse, such as the representation of competing economic enterprises in unrelated litigation, does not ordinarily constitute a conflict of interest and thus may not require informed written consent* of the respective clients.”].) The inquiry involves a comparison of the specific facts and legal issues in the two matters. (ABA Formal Opn. No. 99-415; *Farris v. Fireman’s Fund Ins. Co.* (2004) 119 Cal.App.4th 671, 681 [14 Cal.Rptr.3d 618]. Thus, for example, the “same or substantially related” standard may be met where the two representations involve competing patents. (See, e.g., *Nasdaq, Inc. v. Miami Int’l Holdings, Inc.* (2018) 2018 U.S. Dist. LEXIS 151813 [law firm disqualified from representing new client against former client in patent infringement case because “[a]ll of the patents at issue in this case relate to ‘methods and systems for automated securities trading, including options trading,’ and the accused technology is the same for all asserted patents.”])

Here, based on the facts presented, Lawyer’s role in the labor and employment department at Old Company is similar to their anticipated role as general counsel for New Company only to the extent that both companies are economic competitors in the same technology space; and not because of any actual work performed or knowledge gained while working for Old Company. This similarity alone is insufficient to render the representations the same or substantially similar enough to trigger a conflict under rule 1.9(a) or (b).

In contrast, had Lawyer engaged in patent prosecution, litigation, licensing, or other patent strategy at Old Company, Lawyer may have come into possession of confidential information or trade secrets relating specifically to Old Company’s patents and technology. If New Company has or develops similar technology that rises to the level of a competing patent or infringement claim against or by Old Company, a conflict of interest could exist or arise. Moreover, a lawyer

could have information material to patentability subject to the United States Patent and Trade Office (USPTO) Duty of Disclosure provisions.⁸

In this instance, prior to accepting employment with Old Company’s economic competitor, Lawyer would be required to perform an analysis under *Farris, supra*, by comparing the specific facts and legal issues in the above-described hypothetical dispute, with the type of work Lawyer expects to handle for Lawyer’s prospective employment with New Company. This is because Lawyer may be disqualified from representing New Company if Lawyer acquired protected information that is material to any new matter Lawyer wishes to undertake on behalf of New Company in Lawyer’s new position. (ABA Formal Opn. No. 99-415.

While New Company may not be able to predict every future case or matter that it will need Lawyer to handle, the analysis undertaken is similar to the analysis of conflicts when a lawyer transitions law firms and is examines the conflicts imputed from such a transition.

C. Material Adversity

Rule 1.9(a) and (b) both require material adversity. Ethics scholars “have generally concluded that ‘material adverseness’ includes, but is not limited to, matters where the lawyer is directly adverse on the same or a substantially related matter. While material adverseness is present when a current client and former client are directly adverse, material adverseness can also be present where direct adverseness is not.” (ABA Formal Opn. No. 497-21.) “However, ‘material adverseness’ does not reach situations in which the representation of a current client is simply harmful to a former client’s economic or financial interests, without some specific tangible direct harm.” (*Ibid.*)

Material adverseness may arise in the future to the extent that Lawyer is required to attack the work she performed on behalf of Old Company. ABA Form. Opn. 497-21 states that: “Another type of ‘material adverseness’ exists when a lawyer attempts to attack her own prior work. For example, one court held that a lawyer cannot challenge a patent that the lawyer previously obtained for a former client.” (ABA Formal Opn. No. 491-21, p. 5, and fn. 17 [*citing Sun Studs, Inc. v. Applied Theory Associates* (Fed.Cir. 1985) 772 F.2d 1557, 1566–68]. See also, *Oasis West Realty, supra*, 51 Cal.4th at 811 [lawyer should not have lobbied against a project that he earlier worked on].)

For example, in *Asyst Technologies, Inc. v. Empack, Inc.* (N.D. Cal. 1997) 962 F.Supp. 1241, two attorneys, while partners at one law firm, represented Asyst Techs, Inc. (Asyst) in prosecuting and obtaining several patents. (*Asyst Technologies, Inc. v. Empack, Inc., supra*, 962 F.Supp.

⁸ The duty of disclosure is based upon the provisions found in 37 C.F.R. § 1.56, which is often referred to as an anti-fraud provision. The USPTO and courts have continuously amended the interpretations of the duty of disclosure and potentially resulting inequitable conduct claims. What remains certain is that lawyers have duties to the USPTO to disclose information material to patentability, and such information may interplay with their duties to their clients. (See 37 C.F.R. § 11.303(e) (“In a proceeding before the Office, a practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.”); 11.106(c) (“A practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.”).) When such competing interests arise between a duty for one client versus a former client, including their trade secret, a conflict may arise.

1241.) The attorneys then moved to another law firm, which represented Empack in defending Asyst’s infringement lawsuit over the same patents and asserting a counterclaim challenging the validity of the patents. (*Ibid.*) Counsel for Asyst moved to disqualify the law firm representing Empack, Inc. The court granted the motion, reasoning that “[f]ew people are more likely to have confidential information with which to attack the validity of a patent than the lawyers who prosecuted it.” (*Id.* at 1242; see also *Dynamic 3D Geosolutions LLC v. LLC v. Schlumberger Ltd.*, *supra*, 837 F.3d at p.1287 [“The district court affirmed the sound principle of not suborning the disloyalty of attorneys. It was inappropriate to hire a senior attorney, one intimately knowledgeable concerning a particular product, its competitors, and its associated business strategies and intellectual property, into a position in which she not only participated but in fact played a significant role in acquiring a patent used to accuse her former employer's product of patent infringement.”].)

Here, Lawyer was not responsible for prosecuting patents on behalf of Old Company. However, to the extent that Lawyer was involved in, or gained material knowledge of, such activity as labor and employment counsel, a conflict may arise to the extent Old Company and New Company assert claims arising from that activity.

D. Rule 1.9, Paragraph (c)—Duty of Confidentiality Even Absent Conflict of Interest

Even if Lawyer determines that no conflict of interest exists under rule 1.9(a) or (b), Lawyer must still maintain inviolate Old Company’s confidential information under rule 1.9(c) and Business and Professions Code section 6068(e). Nevertheless, rule 1.9(c) does not prohibit using information obtained through a prior representation where the information has become “generally known” (or where disclosure is otherwise authorized by the rules). (Rule 1.9, Cmt. [5] [citing *In the Matter of Johnson* (Review Dept. 2000) 4 Cal. State Bar Ct. Rptr. 179; ABA Formal Opn. No. 479].)

E. Rule 1.10—Screening

Based on the facts presented, Lawyer may determine that there is no initial conflict of interest for Lawyer under rule 1.9(a) or (b), and therefore no informed written consent from Old Company is required before Lawyer agrees to accept the general counsel position with New Company. However, given that Old Company and New Company are competitors, with similar technology and patents, a conflict of interest may arise in the future. For example, New Company may elect to pursue a patent that directly challenges a patent held by Old Company for technology developed by its employees. As discussed above, Lawyer may have acquires confidential information concerning the technology through handling labor and employment matters at Old Company. Under these facts, a conflict of interest may arise under rule 1.9(b), which may be imputed to New Company’s Legal Department.

Rule 1.10 provides that “[w]hile lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by rules 1.7 or 1.9” unless the following conditions are satisfied:

- (1) The prohibited lawyer did not substantially participate in the same or substantially related matter;
- (2) The prohibited lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and
- (3) Written notice is promptly given to the affected former client to enable it to ascertain compliance with the provisions of the rule, which shall include a description of the screening; procedures employed; and an agreement by the firm to respond promptly to any written inquiries or objections by the former client about the screening procedures.

Although Lawyer may have acquired confidential information, it is unlikely that Lawyer substantially participated in matters involving Old Company's patents and technology because Lawyer's work was limited to labor and employment.⁹ Therefore, screening may be appropriate assuming it is timely implemented with the requisite notice to Old Company. Given Lawyer's position as general counsel overseeing a legal department of just three lawyers, New Company may also need to refer the matter to outside counsel for handling. Outside counsel should report to one of New Company's constituents *other than Lawyer*, and other screening measures should be implemented to "wall off" Lawyer from the infringement matter.

CONCLUSION

With respect to movement between companies and compliance with rules 1.9 and 1.10, an in-house lawyer must examine their involvement in matters on which there is or may be direct adversity between their former and potential new employers, as well as whether they were exposed to confidential information material to an adverse matter.

⁹ Cf. *Take2 Techs. Ltd. v. Pac. Biosciences of Cal. Inc.* (2023) 2023 U.S. Dist. LEXIS 199138 [conflict arising from lawyer's movement from law firm to in-house position was imputed to the entire legal department in litigation between lawyer's former client and new employer because lawyer substantially participated in the matter prior to leaving the law firm by billing over 65 hours in preparing the lawsuit against her current employer, and had evaluated the specific patent and claim of infringement at issue in the litigation].