

RECOMMENDED READING

3.2 – Article, J. Kenedy and M. Kalas,
Virtual Office, Virtual Litigation, Real Trade Secrets and Real
Ethics (July 19, 2021)

Virtual Office, Virtual Litigation, Real Trade Secrets and Real Ethics

Jennifer A. Kenedy

Matthew Kalas

Locke Lord LLP

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As the saying goes, the more things change the more they stay the same. And so goes the ethical considerations in handling trade secret cases in the increasingly virtual landscape of pandemic-influenced practices. While the ethical rules remain relatively unchanged, the environment in which they are applied has morphed into sometimes fully remote practices. In this year's episode of Ethical Issues in Trade Secrets Disputes, we will explore in the context of increasingly virtual practices, how trade secrets disputes, by their very nature, are often mired in ethical considerations.

Materially Adverse Interests

In trade secret litigation, lawyers may at different times, irrespective of the increase in virtual practices, represent different sides of a particular issue or clients that are competitors within the same industry. The interests of a current client in such circumstances can become "materially adverse" to those of a former client or prospective client such that it triggers a conflict under Model Rule 1.9(a) and 1.18(c). But defining what constitutes "materially adverse" is not always a straightforward exercise. As detailed in the recent ABA Formal Opinion 497, the term grew out of a prior ABA Canon of Ethics 6 and reference to Model Rule 1.7 prohibiting representation of interests that are "directly" adverse. Material adverseness, however, must be encompassing something broader than direct adversity for the term to have any meaning. In that respect, there can be a material adverseness when a current client is directly adverse to a former client, but there is also material adverseness without direct adversity. Nonetheless, if the adversity between a current and former client is simply an economic or financial interest without a direct

harm to the former client there is no materiality. This circumstance is essentially accounting for the somewhat common occurrence that a particular counsel experienced in a particular area may represent multiple clients operating in a similar economic space. Provided the work the lawyer is doing is not directly harming one of her former clients, the fact that the clients compete economically does not restrict the representation.

For example, consider a trade secret lawyer that assists one health food client with managing their trade secrets for the creation of a particular dietary supplement and then does similarly for a competitor of that client. These clients are competing economically for customers, but nothing in the work of the lawyer is materially adverse to either client. *Cf. Gillette Co. v. Provost*, 33 Mass.L.Rptr. 327, 2016 WL 2610677, at *5 (“the interests of [current client] are not “materially adverse” to those of [former client] within the meaning of Rule 1.9 merely because [current client] seeks to compete by selling shaving products that are designed so as not to infringe upon any patent held by [former client].”). Of course, if the lawyer were to use information gained from the representation of the former client in a manner that harmed the former client, then a violation would likely exist. Or, if the current client were to sue the former client, the materially adverse interests are clear. If the former client is not involved in litigation in which the lawyer represents the new client there might still be a material adversity depending on the impact of the outcome of the subject litigation on the former client. For example, if the litigation on behalf of the new dietary supplement client against a third party would establish the same manner of confidential information the lawyer had assisted the former client in safeguarding was not actually a trade secret that former client could seek to remove counsel from handling the litigation due to the materially adverse conflict. *See e.g. N.C. Bar Assoc. v. Sossomon*, 197 N.C. App. 261, 266-67, 676 S.E.2d 910 (2009) (lawyer disciplined for attempting to challenge same contractual provision for new client that the lawyer had drafted for prior client); *cf. Nasdaq, Inc. v. Miami Int’l Holdings*, 2018 WL 6171819, *4-6 (d. N.J., Nov. 26, 2018) (failing to disqualify counsel would allow counsel that argued for validity of the subject patents to represent clients seeking to invalidate those same patents).

Competence, Diligence and Communication in a Virtual Practice

The question of material adverseness and whether a counsel can represent new a new client is a fact specific consideration of the rights and duties of the current and former clients involved and the potential degree of impact on them. But, whether that counsel is otherwise competent to do so is an easier question. Counsels' need for diligent representation and regular communication with their clients likewise is an easy question. Indeed, the triumvirate of lawyer ethical duties might be Model Rules 1.1 (Competence), 1.3 (Diligence) and 1.4 (Communication). Yet, an easily posed question doesn't always have an easy answer.

In an increasingly virtual practice, the assessment of the competence of a lawyer under Model Rule 1.1 is not changing, but the bar for the level of technical competence is rising, as is the related obligation of confidentiality under Rule 1.6 (Confidentiality). It has always been relatively higher for the trade secret lawyer charged with keeping his client's confidential business information under wraps while asserting and establishing its status as a trade secret without losing that status to public disclosure. In the course of lockdowns, virtual meetings and depositions, the bar has only increased. Model Rule 1.3 provides that "[a] lawyer shall act with reasonable diligence and promptness in representing a client", but that reasonability includes pursuing the matter on behalf of a client despite opposition, obstruction or personal inconvenience to the lawyer, and take whatever lawful and ethical measures are required to vindicate a client's cause or endeavor." *Id.*, comment [1]. Covid restrictions and shutdowns and a new approach to where we work post-COVID have strained this reasonability. However, the ability to use virtual tools and engage in alternative means of communication charges the lawyer to figure out this new manner of practice as their clients have done themselves or else adequately explain to the client why they cannot. The upshot, of course, is that under Model Rule 1.4, the lawyer must: "reasonably consult with the client about the means by which the client's objectives are to be accomplished"; "keep the client reasonably informed about the status of the matter"; and, "promptly comply with reasonable requests for

information.” *Id.* In short, a lawyer must have a plan for working virtually and if they cannot, they may need to withdraw from the representation under Model Rule 1.16.

One intersection of technological and substantive competence that has become commonplace is the use of the video conference platforms for depositions. As lawyers become more familiar with these platforms and witnesses expect the convenience as well, their use is not going away, but traditional rules of admissibility related to videographer controlled depositions remain. Those admissibility rules generally do not permit substitution of a recorded videoconference regardless of the accuracy of the recording for a number of reasons. As one Federal judge recently pointed out,

“the jury would be given an inside look into all the attorneys’ home spaces, their tastes in books, photos of their families, their likely outdated CD collections, and the occasional child or pet that inevitable make its way into the camera during a seven-hour deposition. None of this is necessary, and is frankly distracting. ‘Speaker view’ is even more problematic as lawyers often object after a questions is posed, and lawyers and witnesses quite often speak over each other. That level of screen flipping is disconcerting.”

Alcorn v. City of Chicago, 336 F.R.D. 440 (N.D. Ill. 2020) (permitting remote depositions using the Zoom record function where the court reporter has been retained to stenographically record the deposition only if the requesting party stipulates that she will not use the video recording as evidence in the case).

While some of these concerns are redressable with better use of the technology at hand, the judge succinctly concluded “[a] video conference deposition is not the same as a video-recorded deposition. The former uses remote technology to conduct a deposition; the latter records and preserves the deposition in a video format that could one day serve as a substitute for live testimony.” *Id.* Attempts to use the video conferenced deposition also strains the oath of the court reporter, which is generally limited to attesting to the accuracy of the transcription, and leaves no neutral third party to provide the gatekeeping indicia of reliability that the recording is what it says it is and has not been manipulated in some fashion.

Relatedly, in a traditional setting in a jurisdiction which prohibits substantive communications with certain witnesses during court-related proceedings, it is generally a straightforward rule to respect and satisfy. But, in the setting of a virtual hearing or related proceeding, a witness might not feel so restricted with ready access to their phone and other devices at hand and no observing eyes. The lawyers themselves might be tempted to engage in such communications or consider the exigency of a virtual proceeding giving leeway to such restrictions. But, watch out for the hot mic moment as recording on videoconference platform is often just a click away. Regardless, Model Rule 3.4(c) prohibits a lawyer from violating a court rule with no exception for virtual proceedings. *Id.* (“A lawyer shall not...knowingly disobey an obligation under the rules of a tribunal except for an open refusal based on an assertion that no valid obligation exists”).

The trade secret lawyer is arguably more attuned to confidentiality obligations, but in the context of Model Rule 1.6, counsel must “make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.” Such reasonable efforts will escalate as a function of, “the sensitivity of the information, the likelihood of disclosure if additional safeguards are not employed, the cost of employing additional safeguards, the difficulty of implementing the safeguards, and the extent to which the safeguards adversely affect the lawyer’s ability to represent clients (e.g., by making a device or important piece of software excessively difficult to use).” *Id.* Comment [18]. Counsel are obliged to conduct a “fact-based analysis” to these “nonexclusive factors to guide lawyers in making a ‘reasonable efforts’ determination.” ABA Formal Opinion 477R. In most instances, a lawyer should be using secure internet access methods to communicate with and access client information. This means the Wi-Fi they are using should be secured with password-only access, and they should use a virtual private network or at least an equivalent level of secure internet protocols. In crafting and using passwords, they should be complex and change periodically, and they should have knowledgeable IT professionals set up and monitor their systems, implementing firewalls and antivirus software, seeking to prevent Malware and Ransomware on all

devices, particularly those upon which client confidential information is used. Keeping those systems up to date and personnel trained on them and themselves trained on them are now baseline levels of protection, but more sophisticated encryptions and multi-factor authentications are likely also appropriate to protect trade secret confidentiality.

The trade secret lawyer looking to use vendors to assist with the foregoing should be aware of the terms of services and ensure the means by which the vendors are operating are not inadvertently exposing trade secrets to disclosure. Perhaps the vendor uses remote access themselves and doesn't use the greatest of security hygiene themselves in getting in and out of your system. A hack of a third-party vendor can then quickly become a release of your client's confidential information. The lawyer should also be prepared and able to conduct remote hearings and depositions without risk of an inadvertent disclosure of confidential information. Similarly, counsel should review the terms of service for its own security vendors, they should review their terms of service with the remote videoconference platforms in use, the level of security they provide and whether they offer varying levels security. The potential scenarios at issue are seemingly endless, but the Pennsylvania Bar Association recently highlighted the following as best practices for addressing videoconferencing security:

- Keep the meetings private;
- Require a password to access or otherwise control the admittance of guests (such as a host managing a lobby);
- Only share the links to the conference through secured means (Don't post it to a publicly available forum);
- Only share the link directly to the people intended to participate and be invited;
- Consider keeping the screen sharing option limited to the host;
- As able, ensure those joining the meeting are using the updated versions of the applications and software.

Pennsylvania Bar Ass'n Comm. on Legal Ethics & Prof'l Responsibility, Formal Op. 2020-300 (2020).

The foregoing is challenge enough for the individual lawyer, but that lawyer likely also has significant supervisory obligations to consider and address as well. The ABA has previously noted in its Formal Opinion 477R that:

In the context of electronic communications, lawyers must establish policies and procedures, and periodically train employees, subordinates and others assisting in the delivery of legal services, in the use of reasonably secure methods of electronic communications with clients. Lawyers also must instruct and supervise on reasonable measures for access to and storage of those communications. Once processes are established, supervising lawyers must follow up to ensure these policies are being implemented and partners and lawyers with comparable managerial authority must periodically reassess and update these policies. This is no different than the other obligations for supervision of office practices and procedures to protect client information.

In short, the same obligations and policies the supervising lawyer has in their own practice flows over and down to the rest of that lawyer's team. Indeed, the comments to Model Rule 5.1 summarize, "[s]uch policies and procedures include those designed to detect and resolve conflicts of interest, identify dates by which actions must be taken in pending matters, account for client funds and property and ensure that inexperienced lawyers are properly supervised." The supervising lawyer must regularly communicate with their associates, legal assistants, and paralegals and are obliged to discern the health and wellness of their colleagues. And, particularly where the organization at issue provides for employees to use their own devices, the supervisors must ensure that the security remains at the same levels as the organization's own equipment. In other words, requiring strong passwords to the device and any routers, providing access only thru through VPNs, requiring any lost or stolen devices be able to be remotely wiped, that an employees' family, friends or any third party cannot access client information and that such client information is appropriately archived and able to be retrieved if needed.

Lastly, and perhaps of growing interest to more counsel as virtual practices increase, the ability to work from remote locations necessitates the lawyer and the supervising lawyers to ensure compliance with Model Rule 5.5 (Unauthorized practice of law). In Formal Opinion 495, the ABA stated, "[l]awyers may remotely practice the law of the jurisdictions in which they are licensed while physically present in a jurisdiction in which they are not admitted if the local jurisdiction has not determined that the conduct is

the unlicensed or unauthorized practice of law and if they do not hold themselves out as being licensed to practice in the local jurisdiction, do not advertise or otherwise hold out as having an office in the local jurisdiction, and do not provide or offer to provide legal services in the local jurisdiction.”

* * *

Technologically enabled legal practices beyond the traditional physical law firm constitute an ever growing number of virtual practices permissible under the ABA Model Rules of Professional Conduct. The slick technology tricks may be new and spreading fast, but the old ethical dog is still guarding the interests of clients, the courts and the bar at large. So hook into that VPN, work remotely from poolside, save on that office overhead, but just remember the ethical rules aren’t subject to quarantines.

Referenced Rules of Professional Responsibility

The ABA Formal opinions discussed in the foregoing rely, in part, on the ABA Model Rules of Professional Responsibility. These model rules have generally been adopted by the individual States with certain changes. The rules and comments excerpted below are taken from the most recent California Rules of Professional Conduct and largely align with the model rules addressed in the ABA Formal Opinions.

Rule 1.1: Competence

...

(b) For purposes of this rule, “competence” in any legal service shall mean to apply the (i) learning and skill, and (ii) mental, emotional, and physical ability reasonably necessary for the performance of such service.

...

Comment

[1] The duties set forth in this rule include the duty to keep abreast of the changes in the law and its practice, including the benefits and risks associated with relevant technology.

* * *

Rule 1.4: Communication with Clients

(a) A lawyer shall:

(1) promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by these rules or the State Bar Act;

(2) reasonably consult with the client about the means by which to accomplish the client's objectives in the representation;

(3) keep the client reasonably informed about significant developments relating to the representation, including promptly complying with reasonable requests for information and copies of significant documents when necessary to keep the client so informed; and

(4) advise the client about any relevant limitation on the lawyer's conduct when the lawyer knows that the client expects assistance not permitted by the Rules of Professional Conduct or other law.

(b) A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

...

* * *

Rule 1.6: Confidential Information of a Client

(a) A lawyer shall not reveal information protected from disclosure by Business and Professions Code section 6068, subdivision (e)(1) unless the client gives informed consent, or the disclosure is permitted by paragraph (b) of this rule.

(b) A lawyer may, but is not required to, reveal information protected by Business and Professions Code section 6068, subdivision (e)(1) to the extent that the lawyer reasonably believes the disclosure is necessary to prevent a criminal act that the lawyer reasonably believes is likely to result in death of, or substantial bodily harm to, an individual, as provided in paragraph (c).

California Business and Professions Code section 6068(e)(1):

It is the duty of an attorney to do all of the following: ... (e) (1) To maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client. (2) Notwithstanding paragraph (1), an attorney may, but is not required to, reveal confidential information relating to the representation of a client to the extent that the attorney reasonably believes the disclosure is necessary to prevent a criminal act that the attorney reasonably believes is likely to result in death of, or substantial bodily harm to, an individual.

* * *

Rule 1.9: Duties to Former Clients

a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed written consent.

(b) A lawyer shall not knowingly represent a person in the same or a substantially related matter in which a firm with which the lawyer formerly was associated had previously represented a client

(1) whose interests are materially adverse to that person; and

(2) about whom the lawyer had acquired information protected by Business and Professions Code section 6068, subdivision (e) and rules 1.6 and 1.9(c) that is material to the matter;

unless the former client gives informed written consent.

(c) A lawyer who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter shall not thereafter:

(1) use information protected by Business and Professions Code section 6068, subdivision (e) and rule 1.6 acquired by virtue of the representation of the former client to the disadvantage of the former client except as these rules or the State Bar Act would permit with respect to a current client, or when the information has become generally known; or

(2) reveal information protected by Business and Professions Code section 6068, subdivision (e) and rule 1.6 acquired by virtue of the representation of the former client except as these rules or the State Bar Act permit with respect to a current client.

* * *

Rule 1.18: Duties to Prospective Client

(a) A person who, directly or through an authorized representative, consults a lawyer for the purpose of retaining the lawyer or securing legal service or advice from the lawyer in the lawyer's professional capacity, is a prospective client.

(b) Even when no lawyer-client relationship ensues, a lawyer who has communicated with a prospective client shall not use or reveal information protected by Business and Professions Code section 6068, subdivision (e) and rule 1.6 that the lawyer learned as a result of the consultation, except as rule 1.9 would permit with respect to information of a former client.

(c) A lawyer subject to paragraph (b) shall not represent a client with interests materially adverse to those of a prospective client in the same or a substantially related matter if the lawyer received from the prospective client information protected by Business and Professions Code section 6068, subdivision (e) and rule 1.6 that is material to the matter, except as provided in paragraph (d). If a lawyer is prohibited from representation under this paragraph, no lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in such a matter, except as provided in paragraph (d).

(d) When the lawyer has received information that prohibits representation as provided in paragraph (c), representation of the affected client is permissible if:

(1) both the affected client and the prospective client have given informed written consent, or

(2) the lawyer who received the information took reasonable measures to avoid exposure to more information than was reasonably necessary to determine whether to represent the prospective client; and

(i) the prohibited lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and

(ii) written notice is promptly given to the prospective client to enable the prospective client to ascertain compliance with the provisions of this rule.

* * *

Rule 3.1: Meritorious Claims & Contentions

(a) A lawyer shall not:

(1) bring or continue an action, conduct a defense, assert a position in litigation, or take an appeal, without probable cause and for the purpose of harassing or maliciously injuring any person; or

(2) present a claim or defense in litigation that is not warranted under existing law, unless it can be supported by a good faith argument for an extension, modification, or reversal of the existing law.

* * *

Model Rule 3.3: Candor Toward the Tribunal

(a) A lawyer shall not:

(1) knowingly make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer;

(2) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel, or knowingly misquote to a tribunal the language of a book, statute, decision or other authority; or

(3) offer evidence that the lawyer knows to be false. If a lawyer, the lawyer's client, or a witness called by the lawyer, has offered material evidence, and the lawyer comes to know of its falsity, the lawyer shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal, unless disclosure is prohibited by Business and Professions Code section 6068, subdivision (e) and rule 1.6. A lawyer may refuse to offer evidence, other than the testimony of a defendant in a criminal matter, that the lawyer reasonably believes is false.

(b) A lawyer who represents a client in a proceeding before a tribunal and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures to the extent permitted by Business and Professions Code section 6068, subdivision (e) and rule 1.6.

(c) The duties stated in paragraphs (a) and (b) continue to the conclusion of the proceeding.

(d) In an ex parte proceeding where notice to the opposing party in the proceeding is not required or given and the opposing party is not present, a lawyer shall inform the tribunal of all material facts known to the lawyer that will enable the tribunal to make an informed decision, whether or not the facts are adverse to the position of the client.

* * *

Rule 5.1: Responsibilities of Managerial and Supervisory Lawyers

(a) A lawyer who individually or together with other lawyers possesses managerial authority in a law firm, shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that all lawyers in the firm comply with these rules and the State Bar Act.

(b) A lawyer having direct supervisory authority over another lawyer, whether or not a member or employee of the same law firm, shall make reasonable efforts to ensure that the other lawyer complies with these rules and the State Bar Act.

(c) A lawyer shall be responsible for another lawyer's violation of these rules and the State Bar Act if:

(1) the lawyer orders or, with knowledge of the relevant facts and of the specific conduct, ratifies the conduct involved; or

(2) the lawyer, individually or together with other lawyers, possesses managerial authority in the law firm in which the other lawyer practices, or has direct supervisory authority over the other lawyer, whether or not a member or employee of the same law firm, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

* * *

Rule 5.3: Responsibilities Regarding Nonlawyer Assistants

With respect to a nonlawyer employed or retained by or associated with a lawyer:

(a) a lawyer who individually or together with other lawyers possesses managerial authority in a law firm, shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the nonlawyer's conduct is compatible with the professional obligations of the lawyer;

(b) a lawyer having direct supervisory authority over the nonlawyer, whether or not an employee of the same law firm, shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the lawyer; and

(c) a lawyer shall be responsible for conduct of such a person that would be a violation of these rules or the State Bar Act if engaged in by a lawyer if:

(1) the lawyer orders or, with knowledge of the relevant facts and of the specific conduct, ratifies the conduct involved; or

(2) the lawyer, individually or together with other lawyers, possesses managerial authority in the law firm in which the person is employed, or has direct supervisory authority over the person, whether or not an employee of the same law firm, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

* * *

Rule 5.5: Unauthorized Practice of Law; Multijurisdictional Practice of Law

(a) A lawyer admitted to practice law in California shall not:

(1) practice law in a jurisdiction where to do so would be in violation of regulations of the profession in that jurisdiction; or

(2) knowingly assist a person in the unauthorized practice of law in that jurisdiction.

(b) A lawyer who is not admitted to practice law in California shall not:

(1) except as authorized by these rules or other law, establish or maintain a resident office or other systematic or continuous presence in California for the practice of law; or

(2) hold out to the public or otherwise represent that the lawyer is admitted to practice law in California.

[END]