

THE PHILADELPHIA BAR ASSOCIATION
PROFESSIONAL GUIDANCE COMMITTEE
OPINION 2012-11
(January 2013)

The inquirer is a law firm which represents a client, Company A, in existing matters. Company A, a manufacturer of generic pharmaceuticals, has requested that inquirer assist it in writing a Notice Letter to Company B, a brand company, that Company A's formulation of a generic version of an existing drug does not infringe on Company B's existing patent for that drug. Inquirer currently represents Company B and its wholly-owned subsidiary, Company C, in an unrelated litigation matter involving another product. Once the lawsuit has settled, the inquirer will terminate its representation of Company B and may continue to represent Company C from time to time on other generic products. The inquirer asks if it may represent Company A in writing the Notice Letter that Company A is required to send under the generic statute to Company B, setting forth the reasons for non-infringement of the existing patent.

Resolution of this question implicates Pennsylvania Rules of Professional Conduct (the "Rules") 1.6, 1.7 and 1.8.

Rule 1.7 states, in relevant part:

A lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

- (1) the representation of one client will be directly adverse to another client; or
- (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), a lawyer may represent a client if:

- (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;

- (2) the representation is not prohibited by law;

- (3) the representation does not involve assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and

- (4) each affected client gives informed consent.

The inquirer states that Company B refused to grant a conflict waiver to Company A involving a prior similar conflict and attempts to differentiate the past necessity to obtain a waiver from the current dilemma by stating that, in this situation, "Company A is not attempting to invalidate the patent, but merely has designed around it." In this instance, the writing of the patent Notice Letter on behalf of Company A would be directly adverse to Company B, a current firm client, as the inquirer acknowledges that her firm is handling a lawsuit for Company B which will likely settle in February 2013. The purpose of the patent Notice Letter is to assert that Company A's generic version of the drug does not infringe upon the patent owned by Company B. This position is directly adverse to the interests of Company B, despite the inquirer's assertion that the "only financial effect would be to further cannibalize the marketplace for the generic version of the drug." Issuing an opinion letter on behalf of a client on the scope or validity of a patent owned by another client constitutes a "direct adversity." (See, Andrew Corp. v. Beverly Mfg. Co., 415 F.Supp.2d 919, 924 (N.D. Ill. 2006)). The Virginia Legal Ethics Committee has also addressed the question of whether a firm may render a patent-opinion for a client on the scope or validity of a patent owned by another current client, and found that such a representation created a direct adversity. (See, Va. Ethics Committee, Legal Ethics Op. 1774 (Feb. 13, 2003), *available at* 51(8) Virginia Law Register (Mar. 2003)). The confidence of the inquirer in its opinion that there is no infringement, and/or the inquirer's belief that the economic effect on Company B is minimal at most, do not serve to eliminate the adversity of the representation of Company A against Company B.

The inquirer must also comply with the terms of Rule 1.8, specifically that "a lawyer shall not use information relating to the representation of the client to the disadvantage of the client unless the client gives informed consent, except as permitted or required by these Rules." (See, Rule 1.8(b)) The inquirer is aware that Company B has never sued any of the 13 generic competitors on its extended release patent. Additionally, the inquirer notes that Company B has opined in other matters that "once there are 3-4 generic competitors on the market selling the same drug, there is no financial harm/economic impact to the brand name by the presence of additional competitors, because any harm to the brand name's price/market share, was already take away by the presence of the first 3-4 generic competitors." While this information may not be confidential under Rule 1.6, it certainly appears that the firm's knowledge of this information and use of the information in representing Company A in sending the patent notice letter would violate the inquirer's duty of loyalty to Company B (see also Comment 5 to Rule 1.8).

It is not clear from the inquiry what information the firm has relating to the representation of Company B, but given that it appears that the representation of Company B includes intellectual property matters, it is certainly likely that the firm possesses information of Company B relevant to the proposed representation. Pursuant to Rule 1.6(a), “a lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent...”

Applying the provision of facts presented by the inquirer, the Committee finds that there is a conflict of interest which, absent consent from both clients and compliance with Rule 1.7(b)(1-3), precludes the inquirer from assisting Company A in preparing the Notice Letter. It should be noted that the inquirer must first ask Company A whether it is permissible to seek a waiver from Company B, as it is possible that seeking a waiver may disclose confidential information of Company A, in which case the inquirer must decline to undertake this representation before even asking for a waiver (See, Rule 1.6) unless Company A waives such confidentiality based upon informed consent as defined in Rule 1.0e. Furthermore, the inquirer is cautioned that in the event that Client B requests that the inquirer represent it in a suit or other proceeding relating to Client A’s attempt to formulate a generic version of Client B’s drug, the inquirer is similarly conflicted out of such a representation. (See, Rule 1.7(a)(1)).

CAVEAT: The foregoing opinion is advisory only and is based upon the facts set forth above. The opinion is not binding upon the Disciplinary Board of the Supreme Court of Pennsylvania or any other Court. It carries only such weight as an appropriate reviewing authority may choose to give it.